June 13, 2005

## STATUTORY PROVISIONS

An act to amend Section 1250.310 of the Code of Civil Procedure, to amend Section 14074 of the Corporations Code, to amend Sections 17910.1, 17911.2, 17911.3, 17911.4, 17911.6, 17912, 17912.2, 17925, and 41304 of the Education Code, to amend Sections 32321, 32322, 32940, and 32942 of, and to repeal Section 32208 of, the Financial Code, to amend Sections 9100 and 9101 of the Fish and Game Code, to amend Sections 11550, 11553, 12802.5, 12805, 14450, 14684, 14684.1, 15814.22, 15814.23, 15814.30, 15814.34, 66645, and 66646 of, and to amend and renumber Section 15814.25 of, the Government Code, to amend Sections 3808, 3822.1, 3822.2, 4799.16, 6815.2, 14584, 21080, 25104, 25106, 25107, 25110, 25112, 25205, 25207, 25212, 25214, 25216.5, 25217.1, 25218, 25219, 25220, 25221, 25222, 25223, 25224, 25225, 25226, 25301, 25302, 25303, 25304, 25305, 25305.5, 25306, 25320, 25321, 25322, 25323, 25324, 25354, 25356, 25357, 25358, 25362, 25364, 25366, 25400, 25401, 25401.2, 25401.5, 25401.6, 25401.7, 25402, 25402.1, 25402.3, 25402.6, 25402.9, 25403, 25403.5, 25403.8, 25404, 25410.5, 25410.6, 25412, 25413, 25414, 25415, 25416, 25417, 25417.5, 25419, 25420, 25426, 25433.5, 25434, 25434.5, 25435, 25436, 25441, 25442, 25442.5, 25442.7, 25443, 25443.5, 25445, 25449, 25449.1, 25449.2, 25449.3, 25494, 25496, 25509.5, 25517, 25519, 25521, 25531, 25534, 25534.1, 25534.2, 25537, 25539, 25540.3, 25541.5, 25543, 25550, 25550.5, 25601, 25602, 25603, 25603.5, 25608, 25610, 25616, 25617, 25618, 25619, 25620, 25620.1, 25620.2, 25620.3, 25620.4, 25620.5, 25620.6,

25620.7, 25620.8, 25620.9, 25620.10, 25620.11, 25630, 25678, 25679, 25696, 25696.5, 25697, 25700, 25701, 25702, 25703, 25704, 25705, 25720, 25721, 25722, 25722.5, 25723, 25730, 25741, 25742, 25743, 25744, 25745, 25747, 25748, 25749, 25750, 25751, 25771, 25772, 25773, 25802, 25803, 25900, 25901, 25902, 25911, 25942, 25967, 25968, 26004, 26011.5, 26011.6, and 30404 of, to amend the heading of Chapter 3 (commencing with Section 25200) of Division 15 of, to add Sections 3806.5, 25104.1, 25104.2, 25205.5, 25207.5, and 25208 to, to add Chapter 3.5 (commencing with Section 25227) to Division 15 of, to repeal Sections 3805.5, 25217, and 25217.5 of, and to repeal and add Sections 25200, 25201, 25202, 25203, 25204, and 25206 of, the Public Resources Code, to amend Sections 332.1, 348, 350, 352, 353.7, 360, 365, 366.1, 366.2, 381, 383, 384, 398.2, 398.3, 398.5, 399.1, 399.6, 399.7, 399.8, 399.11, 399.12, 399.13, 399.15, 399.16, 399.25, 454.5, 464, 848.1, 1001, 1731, 1768, 1822, 2774.6, 2826.5, 2826.6, 2827, 3302, 3310, 3320, 3330, 3341, 3341.1, 3341.2, 3345, 3370, and 9502 of, to add Sections 322, 345.1, 345.2, and 411 to, to repeal Sections 383.6, 399.1, 454.5, 3325, 3326, and 3327 of, to repeal Article 2 (commencing with Section 334) of Chapter 23 of Part 1 of Division 1 of, and to repeal and add Section 3340 of, the Public Utilities Code, and to amend Section 80000 of, and to add Sections 80001 and 80001.5 to, the Water Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

Governor's Reorganization Plan No. 3 of 2005

Governor's Reorganization Plan: Commissions and Departments

Existing law establishes the State Energy Resources Conservation and Development Commission, the California Consumer Power and Conservation Financing Authority, and the Electricity Oversight Board with jurisdiction related to energy matters. Existing law provides the California Public Utilities Commission with jurisdiction over the certification of natural gas and electric facilities. Existing law also provides the Office of Planning and Research, the Department of Water Resources, the Department of General Services, and the Office of the State Architect with jurisdiction over certain energy-related matters.

This measure would abolish the State Energy Resources and Conservation Commission, the California Consumer Power and Conservation Financing Authority, and the Electricity Oversight

board. The measure would create the Department of Energy, headed by a Secretary of Energy, and would create the California Energy Commission and the Office of Energy Market Oversight within the department. The measure would provide for the creation of various divisions and subdivisions as deemed necessary by the secretary. The secretary would be appointed by, and hold office at the pleasure of, the Governor, subject to confirmation by the Senate. The measure would authorize the Governor to appoint an Assistant Secretary of Energy who would serve at the pleasure of the secretary.

The measure would provide that the California Energy Commission consists of the following members: (1) the Secretary, of Energy who would be the chair of the commission, (2) four members of the public with qualifications, as specified, appointed by the Governor, subject to confirmation by the Senate, (3) the president and chief executive officer of the California Independent System Operator, and (4) the president of the California Public Utilities Commission. The measure would provide that the president and chief executive officer of the California Independent System Operator and the president of the California Public Utilities Commission serve as ex officio, nonvoting members of the commission. The measure would specify that the public members serve for a term of 4 years.

The measure would vest the Office of Energy Market Oversight with the powers, duties, responsibilities, obligations, liabilities, and jurisdiction of the Electricity Oversight Board.

The measure would vest the new department and the California Energy Commission with the powers, duties, responsibilities, obligations, liabilities, and jurisdiction of the State Energy Resources Conservation and Development Commission and the California Consumer Power and Conservation Financing Authority, as specified.

The measure would transfer jurisdiction over the issuance of certificates of public convenience and necessity for certain natural gas and electric facilities from the Public Utilities Commission to the Department of Energy or the California Energy Commission.

The measure would also transfer jurisdiction of certain energy-related matters from the Office of Planning and Research, the Department of Water Resources, the Department of General Services, and the Office of the State Architect to the Department of Energy or the California Energy Commission, as specified. The measure would also rename the California Consumer Power and Conservation

Authority Fund as the California Consumer Power and Conservation Fund.

The measure would make conforming changes in existing law.

SECTION 1. Section 1250.310 of the Code of Civil Procedure is amended to read:

1250.310. The complaint shall contain all of the following:

(a) The names of all plaintiffs and defendants.

(b) A description of the property sought to be taken. The description may, but is not required to, indicate the nature or extent of the interest of the defendant in the property.

(c) If the plaintiff claims an interest in the property sought to be taken, the nature and extent of ~~such~~ *that* interest.

(d) A statement of the right of the plaintiff to take by eminent domain the property described in the complaint. The statement shall include:

(1) A general statement of the public use for which the property is to be taken.

(2) An allegation of the necessity for the taking as required by Section 1240.030; where the plaintiff is a public entity, a reference to its resolution of necessity; where the plaintiff is a quasi-public entity within the meaning of Section 1245.320, a reference to the resolution adopted pursuant to Article 3 (commencing with Section 1245.310) of Chapter 4; where the plaintiff is a nonprofit hospital, a reference to the certificate required by Section 1260 of the Health and Safety Code; where the plaintiff is a public utility and relies on a certification of the ~~State Energy Resources Conservation and Development Commission~~ *California Energy Commission within the Department of Energy* or a requirement of that commission that development rights be acquired, a reference to ~~such~~ *that* certification or requirement.

(3) A reference to the statute that authorizes the plaintiff to acquire the property by eminent domain. Specification of the statutory authority may be in the alternative and may be inconsistent.

(e) A map or diagram portraying as far as practicable the property described in the complaint and showing its location in relation to the project for which it is to be taken.

SEC. 2. Section 14074 of the Corporations Code is amended to read:

14074. The agency shall enter into an agreement with the ~~California Energy Extension Service of the Office of Planning and Research~~ *Department of Energy* to assist small business owners in reducing their energy costs through low interest loans and by providing assistance and information.

SEC. 3. Section 17910.1 of the Education Code is amended to read:

17910.1. As used in this part, the following terms have the following meanings:

(a) ~~"Commission" means the State Energy Resources Conservation and Development Commission.~~

~~(b)~~ "Superintendent" means the Superintendent of Public Instruction.

~~(c)~~

*(b)* "Fund" means the Katz Schoolbus Fund created pursuant to Section 17911.

~~(d)~~

*(c)* "Department" means the Department of the California Highway Patrol.

~~(e)~~

*(d)* "Program" means the Katz Safe Schoolbus Clean Fuel Efficiency Demonstration Program.

~~(f)~~

*(e)* "Schoolbus" means a schoolbus, as defined in Section 545 of the Vehicle Code, which is Type 1 and publicly owned.

~~(g)~~

*(f)* "Local educational agency" means any of the following:

(1) A school district.

(2) A county office of education.

(3) A regional occupational program or center.

(4) A joint powers agency which operates publicly owned schoolbuses.

SEC. 4. Section 17911.2 of the Education Code is amended to read:

17911.2. The ~~commission~~ *Department of Energy* shall determine the local educational agencies that are to receive replacement schoolbuses for participation in the program.

SEC. 5. Section 17911.3 of the Education Code is amended to read:

17911.3. In determining which candidate schoolbuses will be selected for replacement, the ~~commission~~ *Department of Energy* shall first, in coordination with the department and the superintendent, determine which local educational agencies meet the demonstration project criteria.

SEC. 6. Section 17911.4 of the Education Code is amended to read:

17911.4. All candidate schoolbuses selected by the ~~commission~~ *Department of Energy* for replacement shall be inspected by the department to determine all of the following criteria:

(a) The dates of manufacture of the schoolbuses. The schoolbuses shall have been manufactured prior to April 1, 1977, and shall have been certified during the prior school year pursuant to Section 2807 of the Vehicle Code.

(b) The total accumulated mileage of each candidate schoolbus, as supported by the owner's records and records of the department. Any records maintained by the superintendent may also be considered in determining the true accumulated mileage of a candidate schoolbus. Only mileage accumulated on the candidate schoolbus during usage by the applicant district may be considered by the commission as mileage under this subdivision.

(c) The average number of miles per day each candidate schoolbus traveled during the prior school year and to date during the current school year, as evidenced by the owner's records. Any records maintained by the department or by the superintendent may also be considered in determining the true average daily miles of a candidate schoolbus.

(d) The dates of each of the last three annual certifications and the odometer reading for each of those dates.

SEC. 7. Section 17911.6 of the Education Code is amended to read:

17911.6. Local educational agencies may submit a statement describing special circumstances which are applicable to a qualified candidate schoolbus, such as the unavailability of repair or replacement parts, or any necessary chassis modifications requiring the approval of the manufacturer of the chassis, as

required by regulations of the department, with its application for a replacement schoolbus. The ~~commission~~ *Department of Energy* may consider those special circumstances in determining the local educational agencies that are to receive replacement schoolbuses.

SEC. 8. Section 17912 of the Education Code is amended to read:

17912. The demonstration program established by this chapter shall be designed and administered by the ~~commission~~ *Department of Energy*, with the advice and consultation of the department and the superintendent. The ~~commission~~ *Department of Energy* shall insure that fuel economy and exhaust emissions are monitored as a part of the demonstration, and shall ensure that at least 35 percent of the vehicles are powered by methanol or other low-emission, clean-burning fuels, unless the ~~commission~~ *Department of Energy* determines, within 18 months of the effective date of this act, that the use of these funds for clean burning fuel projects is infeasible. The ~~commission~~ *Department of Energy* shall, within 30 days of making that determination, submit a report to the Legislature explaining its determination with respect to the feasibility or infeasibility of the project. The field demonstration shall be in accordance with State Energy Conservation Program guidelines.

SEC. 9. Section 17912.2 of the Education Code is amended to read:

17912.2. When a local educational agency accepts a replacement schoolbus, it shall also agree to participate in the demonstration program. That participation shall include maintaining records of mileage and fuel consumption, and reporting that information to the ~~commission~~ *Department of Energy* in a timely manner. The ~~commission~~ *Department of Energy* shall establish a procedure and requirement for participation in the demonstration program. All vehicles acquired under the demonstration program, at a minimum, shall meet all applicable laws and regulations, including those related to their acquisition by school districts, operation, fuel efficiency, air emissions, and safety.

SEC. 10. Section 17925 of the Education Code is amended to read:

17925. Prior to distributing any state funds pursuant to this part, the Superintendent of Public Instruction shall consult with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* to avoid duplication or overlap with appropriations from the Katz Schoolbus Fund, created pursuant to Section 17911.

SEC. 11. Section 41304 of the Education Code is amended to read:

41304. (a) There is appropriated annually from the Driver Training Penalty Assessment Fund to the General Fund in the State Treasury and from the General Fund to the ~~California Energy Extension Service of the Office of Planning and Research~~ *Department of Energy* a sum as necessary to establish and maintain a unit for driver instruction within the State Department of Education as set forth in Section 41904.

(b) In addition, subject to Section 41305, there shall be appropriated from the Driver Training Penalty Assessment Fund to the General Fund, then to the State School Fund each fiscal year, the sum the Superintendent of Public Instruction certifies as necessary to reimburse on a quarterly basis for each current fiscal year school districts, county superintendents of schools, the Department of the Youth Authority, and the State Department of Education for the actual cost of instructing pupils in the operation of motor vehicles.

The amount shall not exceed ninety-seven dollars ($97) per pupil instructed in the laboratory phase of driver education in accordance with the rules and regulations of the State Board of Education.

(c) Subject to Section 41305, there shall also be appropriated from the Driver Training Penalty Assessment Fund the sum the Superintendent of Public Instruction shall certify as necessary to reimburse on a quarterly basis for each current fiscal year school districts, county superintendents of schools, the Department of the Youth Authority, and the State Department of Education for the actual cost of replacing vehicles and simulators used exclusively in the laboratory phase of driver education programs, but the amount shall not exceed three-fourths of that part of the actual cost of instructing pupils in the laboratory phase of driver education which is: (1) in excess of ninety-seven dollars ($97) per pupil instructed, and (2) expended by the district, the county

superintendent of schools, the Department of the Youth Authority, and the State Department of Education in replacing the vehicles and simulators. Reimbursement for vehicles shall be computed for only that portion of the total mileage used exclusively in the laboratory phase of driver education programs.

(d) In addition, subject to Section 41305, there shall be provided from the Petroleum Violation Escrow Account to the General Fund, then to the State School Fund each fiscal year the sum the Superintendent of Public Instruction certifies as necessary to reimburse on a quarterly basis for each current fiscal year school districts, county superintendents of schools, the Department of the Youth Authority, and the State Department of Education for the costs of fitting automobile driver training vehicles with the instrumentation required under Section 51854 and to reimburse on a quarterly basis for each current fiscal year school districts for the costs of transferring instrumentation providing instructional information on fuel consumption and vehicle fuel efficiency from one automobile driver training vehicle to another under Section 51854.

(e) In addition, subject to Section 41305, there shall be appropriated from the Petroleum Violation Escrow Account to the Driver Training Penalty Assessment Fund and from the Driver Training Penalty Assessment Fund to the General Fund, then to the Superintendent of Public Instruction each fiscal year the sum the Superintendent of Public Instruction certifies as necessary to reimburse on a quarterly basis for each current fiscal year the State Department of Education for the costs of workshops conducted by the department under Section 51854.

(f) For purposes of computing reimbursement, whenever a school district, a county superintendent of schools, the Department of the Youth Authority, or the State Department of Education replaces a driver training vehicle or simulator purchased by the district with a vehicle or simulator that is a gift or loan, the purchase price of the new or acquired equipment shall be deemed to be the market value of the vehicle or simulator acquired through a gift or loan.

A simulator is any device approved by the State Department of Education to be used in classrooms for purposes of laboratory instruction under simulated driving conditions.

SEC. 12. Section 32208 of the Financial Code is repealed.

~~32208. "Energy Commission" means the California Energy Resources Conservation and Development Commission.~~

SEC. 13. Section 32321 of the Financial Code is amended to read:

32321. (a) The official members of the board shall be:

(1) A member of the Governor's cabinet, or his or her designee.

(2) ~~One member of the Energy Commission, selected and appointed by the members of the Energy Commission~~ *The Secretary of Energy or his or her designee*.

(b) The public members of the board shall be:

(1) One member selected and appointed by the Senate Rules Committee.

(2) One member selected and appointed by the Speaker of the Assembly.

(3) Two members selected and appointed by the Governor as follows:

(A) One member with a minimum three years' experience as an owner, partner, officer, or employee of a California-based small business.

(B) One member with a minimum three years' experience as an officer or employee of a financial institution.

SEC. 14. Section 32322 of the Financial Code is amended to read:

32322. (a) The terms of official members of the board shall coincide with their official terms of office~~, except in the case of the member selected and appointed by the members of the Energy Commission, who shall serve on the board until he or she is no longer a member of the Energy Commission or until he or she is replaced by a vote of the Energy Commission~~.

(b) The public members of the board shall be appointed by the Rules Committee, Speaker, and Governor in such a manner that they shall hold office for overlapping terms. At the time of the appointment of first directors, the first term of the directors appointed by the Rules Committee and Speaker shall be approximately two years. At the time of the appointment of first directors, the first term of the directors appointed by the Governor shall be approximately one year for one director and approximately three years for two directors. Thereafter, the terms

of all public directors shall be three years. Directors shall be eligible for reappointment for an unlimited number of terms.

(c) A public director's tenure shall continue until his successor has been appointed and has taken his position on the board.

(d) In the case of public members, vacancies shall be filled by appointment of the respective appointing authority for the unexpired remainder of the term.

SEC. 15. Section 32940 of the Financial Code is amended to read:

32940. Guidelines for approving loan applications shall be developed by the board on or before May 1, 1987. In developing those guidelines, the board shall incorporate the recommendations adopted by the ~~California Energy Commission~~ *Department of Energy* with respect to technical criteria which are to be applied to projects receiving loans from the corporation pursuant to this chapter. The corporation may contract with the ~~Energy Commission~~ *Department of Energy* for the purpose of developing technical guidelines.

SEC. 16. Section 32942 of the Financial Code is amended to read:

32942. Loans shall be approved according to criteria established by a credit committee, chaired by the chief financial officer of the corporation or that officer's designee. The other members of the committee shall be the member of the board appointed by the ~~Energy Commission~~ *Department of Energy* and the corporate president.

SEC. 17. Section 9100 of the Fish and Game Code is amended to read:

9100. The ~~California Energy Extension Service of the Office of Planning and Research~~ *Department of Energy* shall implement a revolving loan fund program to assist low-income fishing fleet operators reduce their energy costs and conserve fuel by providing low-interest loans to those operators.

SEC. 18. Section 9101 of the Fish and Game Code is amended to read:

9101. Commencing January 1, 1994, and thereafter biennially, the ~~California Energy Extension Service of the Office of Planning and Research~~ *Department of Energy* shall report to the Legislature on the status of the loan program, including the number and the amounts of loans made, the amount of loans

repaid, and a comparison of the ethnic background of the loan recipients with the ethnic background of the low-income fishing fleet operators.

SEC. 19. Section 11550 of the Government Code is amended to read:

11550. Effective January 1, 1988, an annual salary of ninety-one thousand fifty-four dollars ($91,054) shall be paid to each of the following:

(a) Director of Finance.

(b) Secretary of Business, Transportation and Housing.

(c) Secretary of Resources.

(d) Secretary of Health and Human Services.

(e) Secretary of State and Consumer Services.

(f) Commissioner of the California Highway Patrol.

(g) Secretary of the Youth and Adult Correctional Agency.

(h) Secretary of Food and Agriculture.

(i) Secretary of ~~Technology, Trade, and Commerce~~ *Energy*.

(j) Secretary of Veterans Affairs.

(k) Secretary of Labor and Workforce Development.

The annual compensation provided by this section shall be increased in any fiscal year in which a general salary increase is provided for state employees. The amount of the increase provided by this section shall be comparable to, but shall not exceed, the percentage of the general salary increases provided for state employees during that fiscal year.

SEC. 20. Section 11553 of the Government Code is amended to read:

11553. Effective January 1, 1988, an annual salary of eighty-one thousand six hundred thirty-five dollars ($81,635) shall be paid to each of the following:

(a) Chairperson of the Unemployment Insurance Appeals Board.

(b) Chairperson of the Agricultural Labor Relations Board.

(c) President of the Public Utilities Commission.

(d) Chairperson of the Fair Political Practices Commission.

(e) ~~Chairperson of the Energy Resources Conservation and Development Commission.~~

~~(f)~~ Chairperson of the Public Employment Relations Board.

~~(g)~~

*(f)* Chairperson of the Workers' Compensation Appeals Board.

~~(h)~~

*(g)* Administrative Director of the Division of Industrial Accidents.

~~(i)~~

*(h)* Chairperson of the State Water Resources Control Board.

~~(j)~~

*(i)* Chairperson and each member of the California Integrated Waste Management Board.

The annual compensation provided by this section shall be increased in any fiscal year in which a general salary increase is provided for state employees. The amount of the increase provided by this section shall be comparable to, but shall not exceed, the percentage of the general salary increases provided for state employees during that fiscal year.

SEC. 21. Section 12802.5 of the Government Code is amended to read:

12802.5. The Governor may~~, with respect to the Resources Agency, appoint an Assistant Secretary for Energy Matters who may serve as Secretary for Resources designee on the Energy Resources Conservation and Development Commission and~~ *appoint* an Assistant Secretary for Coastal Matters who may serve as Secretary for Resources designee on the ~~State~~ *California* Coastal Commission.

SEC. 22. Section 12805 of the Government Code is amended to read:

12805. The Resources Agency consists of the State Air Resources Board, the Colorado River Board, ~~the State Energy Resources Conservation and Development Commission,~~ the State Water Resources Control Board and each California regional water quality control board, the State Lands Commission, the Division of State Lands, the San Joaquin River Conservancy, and the following departments: Conservation; Fish and Game; Forestry and Fire Protection; Boating and Waterways; Parks and Recreation; and Water Resources.

SEC. 23. Section 14450 of the Government Code is amended to read:

14450. The department, in preparing its research and development program, shall consult with other parts of the transportation industry, including the private and public sectors, in order to obtain maximum input designed to develop a balanced

multimodal research and development program. The department shall also consult with affected state agencies, including the Department of Motor Vehicles, the State Air Resources Board, the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, and the Department of the California Highway Patrol.

SEC. 24. Section 14684 of the Government Code is amended to read:

14684. (a) The department, in consultation with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, shall ensure that solar energy equipment is installed, no later than January 1, 2007, on all state buildings and state parking facilities, where feasible. The department shall establish a schedule designating when solar energy equipment will be installed on each building and facility, with priority given to buildings and facilities where installation is most feasible, both for state building and facility use and consumption and local publicly owned electric utility use, where feasible.

(b) Solar energy equipment shall be installed where feasible as part of the construction of all state buildings and state parking facilities that commences after December 31, 2002.

(c) For purposes of this section, it is feasible to install solar energy equipment if adequate space on a building is available, and if the solar energy equipment is cost-effective.

(d) No part of this section shall be construed to exempt the state from any applicable fee or requirement imposed by the Public Utilities Commission.

(e) The department may adopt regulations for the purposes of this section as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1. For purposes of Chapter 3.5 (commencing with Section 11340) of Part 1, including, but not limited to, Section 11349.6, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding the 120-day limit specified in subdivision (e) of Section 11346.1, the regulations shall be repealed 180 days after their effective date, unless the department complies with Chapter 3.5 (commencing with Section 11340) of Part 1 as provided in subdivision (e) of Section 11346.1.

(f) For purposes of this section, the following terms have the following meanings:

(1) "Cost-effective" means that the present value of the savings generated over the life of the solar energy system, including consideration of the value of the energy produced during peak and off-peak demand periods and the value of a reliable energy supply not subject to price volatility, shall exceed the present value cost of the solar energy equipment by not less than 10 percent. The present value cost of the solar energy equipment does not include the cost of unrelated building components. The department, in making the present value assessment, shall obtain interest rates, discount rates, and consumer price index figures from the Treasurer, and shall take into consideration air emission reduction benefits.

(2) "Local publicly owned electric utility" means a local publicly owned electric utility as defined in Section 9604 of the Public Utilities Code.

(3) "Solar energy equipment" means equipment whose primary purpose is to provide for the collection, conversion, storage, or control of solar energy for electricity generation.

SEC. 25. Section 14684.1 of the Government Code is amended to read:

14684.1. (a) The department, in consultation with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, shall ensure that solar energy equipment is installed, no later than January 1, 2007, on all state buildings and state parking facilities, where feasible. The department shall establish a schedule designating when solar energy equipment will be installed on each building and facility, with priority given to buildings and facilities where installation is most feasible, both for state building and facility use and consumption and local publicly owned electric utility use, where feasible.

(b) Solar energy equipment shall be installed, where feasible, as part of the construction of all state buildings and state parking facilities for which construction commences on or after January 1, 2003.

(c) For purposes of this section, it is feasible to install solar energy equipment if adequate space on or adjacent to a building is available, if the solar energy equipment is cost-effective, and if funding is available.

(d) Any solar energy equipment installed pursuant to this section shall meet applicable standards and requirements imposed by state and local permitting authorities, including, but not limited to, all of the following:

(1) Certification by the Solar Rating Certification Corporation, which is a nonprofit third party supported by the Department of Energy, or any other nationally recognized certification agency.

(2) All applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories, such as the Underwriters Laboratories.

(3) Where applicable, the regulations adopted by the Public Utilities Commission regarding safety and reliability.

(e) This section does not exempt the state from the payment of any applicable fee or requirement imposed by the Public Utilities Commission.

(f) The department may adopt regulations for the purposes of this section as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1. For purposes of that chapter, including, but not limited to, Section 11349.6, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding the 120-day limit specified in subdivision (e) of Section 11346.1, the regulations shall be repealed 180 days after their effective date, unless the department complies with Chapter 3.5 (commencing with Section 11340) of Part 1 as provided in subdivision (e) of Section 11346.1.

(g) Any solar energy equipment installed pursuant to this section shall be subject to the provisions of the California Solar Rights Act of 1978 (Chapter 1154 of the Statutes of 1978), as amended.

(h) For purposes of this section, the following terms have the following meanings:

(1) “Cost-effective” means that the present value of the savings generated over the life of the solar energy system, including consideration of the value of the energy produced during peak and off-peak demand periods and the value of a reliable energy supply not subject to price volatility, shall exceed the present value cost of the solar energy equipment by not less

than 10 percent. The present value cost of the solar energy equipment does not include the cost of unrelated building components. The department, in making the present value assessment, shall obtain interest rates, discount rates, and consumer price index figures from the Treasurer, and shall take into consideration air emission reduction benefits and the value of stable energy costs.

(2) "Local publicly owned electric utility" means a local publicly owned electric utility as defined in subdivision (d) of Section 9604 of the Public Utilities Code.

(3) "Solar energy equipment" means equipment whose primary purpose is to provide for the collection, conversion, storage, or control of solar energy for the purpose of heat production.

SEC. 26. Section 15814.22 of the Government Code is amended to read:

15814.22. The Department of General Services, in consultation with the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* and other state agencies and departments, shall develop a multiyear plan, to be updated biennially, with the goal of exploiting all practicable and cost-effective energy efficiency measures in state facilities. The department shall coordinate plan implementation efforts, and make recommendations to the Governor and the Legislature to achieve energy efficiency goals for state facilities.

SEC. 27. Section 15814.23 of the Government Code is amended to read:

15814.23. The Department of General Services or each state agency having jurisdiction shall ensure that all new state buildings are designed and constructed to meet at least the minimum energy efficiencies specified in standards adopted by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy and the California Energy Commission* pursuant to Section 25402 of the Public Resources Code. In the design and construction of new state buildings, the department or other responsible state agency shall also consider additional state-of-the-art energy efficiency design measures and equipment, beyond those required by the standards, that are cost-effective and feasible.

SEC. 28. Section 15814.25 of the Government Code, as amended by Section 48 of Chapter 193 of the Statutes of 2004, is amended and renumbered to read:

~~15814.25.~~

*15814.24.1.* Energy conservation measures eligible for financing by kindergarten through grade 12 schools shall be limited to those measures recommended pursuant to an energy audit provided by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* under its existing authority.

SEC. 29. Section 15814.30 of the Government Code is amended to read:

15814.30. (a) All new public buildings for which construction begins after January 1, 1993, shall be models of energy efficiency and shall be designed, constructed, and equipped with all energy efficiency measures, materials, and devices that are feasible and cost-effective over the life of the building or the life of the energy efficiency measure, whichever is less.

(b) In determining which energy efficiency measures, materials, and devices are feasible and cost-effective over the life of the building, the State Architect and the Department of General Services shall consult with ~~the State Energy Resources Conservation and Development Commission~~ *Department of Energy*.

(c) For purposes of this section, "cost-effective" means that savings generated over the life of the building or the life of the energy efficiency measure, whichever is less, shall exceed the cost of purchasing and installing the energy efficiency measures, materials, or devices by not less than 10 percent.

SEC. 30. Section 15814.34 of the Government Code is amended to read:

15814.34. (a) The Legislature finds and declares all of the following:

(1) The state purchases a number of commodities, including, but not limited to, lighting fixtures, heating, ventilation and air-conditioning units, and copiers, that cumulatively account for a significant portion of the energy consumed by state operations.

(2) The state can realize significant energy savings and reduced energy costs by purchasing brands or models of commonly used commodities with low life cycle costs.

(3) Commodities necessary for state operations may be purchased directly by the state department or agency using the commodity, or may be purchased by the Department of General Services on behalf of other state departments or agencies.

(4) In order to increase energy efficiency and reduce costs to the taxpayers of the state, the state should make every reasonable effort to identify and purchase those commodities that have the lowest life cycle cost and meet the operational requirements of the state.

(b) The Department of General Services shall, on an ongoing basis, do all of the following:

(1) Identify commodities purchased by the department that, individually or on a statewide basis, consume a significant amount of energy.

(2) For each commodity identified pursuant to paragraph (1), determine the life cycle cost of the following:

(A) The brand or model of the commodity purchased by the department.

(B) The brand or model of the commodity that has the lowest life cycle cost, provided it is available for purchase by the state and meets all operational specifications of the state.

(3) Consult with the ~~Energy Resources Conservation and Development Commission~~ *Department of Energy* in the development and revision of one or more methods of determining the life cycle costs of commodities.

(c) In order to assist other agencies and departments in identifying commodities with the lowest life cycle costs, the Department of General Services shall distribute the following to all state agencies and departments:

(1) A list of those commodities with the lowest life cycle costs, as determined pursuant to paragraph (2) of subdivision (b).

(2) The method or methods used by the Department of General Services to determine the life cycle costs of commodities.

(d) The method or methods used by the Department of General Services to calculate the life cycle costs of commodities shall be designed to be easily understood and used by purchasing agents and other personnel in making purchasing decisions.

(e) Notwithstanding any other provision of law, all state agencies and departments shall purchase those commodities identified pursuant to subdivision (b) that have the lowest life cycle costs and that meet the applicable specifications, and shall make every reasonable effort to identify and purchase other commodities with the lowest life cycle costs.

(f) "Life cycle cost" for the purposes of this section, means the total cost of purchasing, installing, maintaining, and operating a device or system during its reasonably expected life. It includes, but is not necessarily limited to, capital costs, labor costs, energy costs, and operating and maintenance costs.

SEC. 31. Section 66645 of the Government Code is amended to read:

66645. (a) In addition to the provisions of Sections 25302, 25500, 25507, 25508, 25514, 25516.1, 25519, 25523, and 25526 of the Public Resources Code, the provisions of this section shall apply to the commission and the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* with respect to matters within the statutory responsibility of the latter.

(b) After one or more public hearings, and prior to January 1, 1979, the commission shall designate those specific locations within the Suisun Marsh, as defined in Section 29101 of the Public Resources Code, or the area of jurisdiction of the commission, where the location of a facility, as defined in Section 25110 of the Public Resources Code, would be inconsistent with this title or Division 19 (commencing with Section 29000) of the Public Resources Code. The following locations, however, shall not be so designated: (1) any property of a utility that is used for such a facility or will be used for the reasonable expansion thereof; (2) any site for which a notice of intention to file an application for certification has been filed pursuant to Section 25502 of the Public Resources Code prior to January 1, 1978, and is subsequently approved pursuant to Section 22516 of the Public Resources Code; and (3) the area east of Collinsville Road that is designated for water-related industrial use on the Suisun Marsh Protection Plan Map. Each designation made pursuant to this section shall include a description of the boundaries of those locations, the provisions of this title or Division 19 (commencing with Section 29000) of the

Public Resources Code with which they would be inconsistent, and detailed findings concerning the significant adverse impacts that would result from development of a facility in the designated area. The commission shall consider the conclusions, if any, reached by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* in its most recently promulgated comprehensive report issued pursuant to *former* Section 25309 of the Public Resources Code. The commission also shall request the assistance of the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* in carrying out the requirements of this section. The commission shall transmit a copy of its report prepared pursuant to this subdivision to the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*.

(c) The commission shall revise and update the designations specified in subdivision (b) not less than once every five years. The provisions of subdivision (b) shall not apply to any sites and related facilities specified in any notice of intention to file an application for certification filed pursuant to Section 25502 of the Public Resources Code prior to designation of additional locations made by the commission pursuant to this subdivision.

(d) Whenever the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* exercises its siting authority and undertakes proceedings pursuant to the provisions of Chapter 6 (commencing with Section 25500) of Division 15 of the Public Resources Code with respect to any thermal powerplant or transmission line to be located, in whole or in part, within the Suisun Marsh or the area of jurisdiction of the commission, the commission shall participate in those proceedings and shall receive from the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* any notice of intention to file an application for certification of a site and related facilities within the Suisun Marsh or the area of jurisdiction of the commission. The commission shall analyze each notice of intention and, prior to commencement of the hearings conducted pursuant to Section 25513 of the Public Resources Code, shall forward to the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* a written report on the suitability of the

proposed site and related facilities specified in that notice. The commission's report shall contain a consideration of, and findings regarding, the following:

(1) If it is to be located within the Suisun Marsh, the consistency of the proposed site and related facilities, with the provisions of this title and Division 19 (commencing with Section 29000) of the Public Resources Code, the policies of the Suisun Marsh Protection Plan (as defined in Section 29113 of the Public Resources Code) and the certified local protection program (as defined in Section 29111 of the Public Resources Code) if any.

(2) If it is to be located within the area of jurisdiction of the commission, the consistency of the proposed site and related facilities with the provisions of this title and the San Francisco Bay Plan.

(3) The degree to which the proposed site and related facilities could reasonably be modified so as to be consistent with this title, Division 19 (commencing with Section 29000) of the Public Resources Code, the Suisun Marsh Protection Plan, or the San Francisco Bay Plan.

(4) ~~Such~~ *Any* other matters as the commission deems appropriate and necessary to carry out Division 19 (commencing with Section 29000) of the Public Resources Code.

SEC. 32. Section 66646 of the Government Code is amended to read:

66646. Notwithstanding any other provision of this title, except subdivisions (b) and (c) of Section 66645, and notwithstanding any provision of Division 19 (commencing with Section 29000) of the Public Resources Code, new or expanded thermal electric generating plants may be constructed within the Suisun Marsh, as defined in Section 29101 of the Public Resources Code, or the area of jurisdiction of the commission, if the proposed site has been determined, pursuant to the provisions of Section 25516.1 of the Public Resources Code, by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* to have greater relative merit than available alternative sites and related facilities for an applicant's service area which have been determined to be acceptable pursuant to the provisions of Section 25516 of the Public Resources Code.

SEC. 33. Section 3805.5 of the Public Resources Code is repealed.

~~3805.5. "Commission" means the State Energy Resources Conservation and Development Commission.~~

SEC. 34. Section 3806.5 is added to the Public Resources Code, to read:

3806.5. "Department" means the Department of Energy. Any reference in this chapter to the State Energy Resources Conservation and Development Commission shall be deemed to refer to the Department of Energy unless the context requires otherwise.

SEC. 35. Section 3808 of the Public Resources Code is amended to read:

3808. "Geothermal resources" means geothermal resources designated by the United States Geological Survey or the Department of Conservation, or by both.

The ~~department~~ *Department of Conservation* shall periodically review, and revise as necessary, its designation of geothermal resource areas and shall transmit any changes to the ~~State Energy Resources Conservation and Development Commission~~ *department*.

SEC. 36. Section 3822.1 of the Public Resources Code is amended to read:

3822.1. Notwithstanding any other provision of law, commencing with the 1984–85 fiscal year and in each fiscal year thereafter, any revenues not granted pursuant to Section 3822 remaining in the Geothermal Resources Development Account and any revenues expected to be received and disbursed during the 1984–85 fiscal year and in each fiscal year thereafter shall be made a part of the Governor's Budget. Projects approved by the ~~State Energy Resources Conservation and Development Commission~~ *department* under this chapter shall be submitted for review and comment to the Department of Finance, the Legislative Analyst, and the Joint Legislative Budget Committee when the Legislature is in session. After a 30-day period, the ~~commission~~ *department* shall execute the funding agreements. The ~~commission~~ *department* shall submit to the Legislature by April 1 of each year, a list of projects, in priority order, selected and approved during the previous year.

SEC. 37. Section 3822.2 of the Public Resources Code is amended to read:

3822.2. (a) Notwithstanding any other provision of law, the ~~State Energy Resources Conservation and Development Commission~~ *department* may expend funds, from that portion of the Geothermal Resources Development Account used by the ~~commission~~ *department* for grants and loans, to provide direct technical assistance to local jurisdictions which are eligible for grants and loans pursuant to Section 3822.

(b) The total of all amounts expended pursuant to this section shall not exceed 5 percent of all funds available under Section 3822 or one hundred thousand dollars ($100,000), whichever amount is less.

(c) In making expenditures under this section, the ~~commission~~ *department* shall consider, but not be limited to a consideration of, all of the following:

(1) The availability of energy resource and technology opportunities.

(2) The project definition and likelihood of success.

(3) Local needs and potential project benefits.

SEC. 38. Section 4799.16 of the Public Resources Code is amended to read:

4799.16. The department shall coordinate its activities and cooperate with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* in the development of surveys, studies, and research concerning the utilization of wood waste and forest growth for energy. The department shall also coordinate its activities with other public and private agencies to insure that the activities of the department and such other agencies are not duplicative and the maximum benefit occurs from actions taken by the department to carry out its responsibilities pursuant to this chapter.

SEC. 39. Section 6815.2 of the Public Resources Code is amended to read:

6815.2. (a) Notwithstanding Section 6815.1, the commission may take any oil, gas, or other hydrocarbons taken in kind by it, pursuant to any lease or agreement, and exchange it, by competitive bidding, for refined products which shall be allocated to state agencies and to other public agencies, if the ~~State Energy Resources Conservation and Development~~

~~Commission, established pursuant to Division 15 (commencing with Section 25000)~~ *Department of Energy*, after a public hearing, finds, in its judgment, that such retention and allocation is necessary to alleviate fuel shortage conditions or will effect a substantial cost saving to the state.

(b) The commission may make and enter into contracts or agreements for exchange of such oil, gas, and other hydrocarbons taken in kind for finished products required for use by state and other public agencies. Such contracts or agreements shall be entered into by competitive bids. The commission may reject all bids, if it determines that they are not in the public interest.

(c) The commission shall charge the state or other public agencies allocated refined products the current market price of these products including all applicable taxes. This price shall not be less than the value of the oil, gas, or other hydrocarbons which would have been received by the state if not taken in kind. The revenue shall be subject to the terms and conditions enumerated in Section 6217. The taxes generated by these sales shall be distributed according to applicable provisions of the Revenue and Taxation Code.

(d) The refined products obtained from such exchange contracts or agreements shall be allocated to state agencies and to other public agencies in accordance with the regulations which shall be adopted, after a public hearing, by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*.

(e) Notwithstanding Section 6815.1, if the commission determines that it is in the best interests of the state, it may allow another state or public agency to take in kind oil, gas, or other hydrocarbons acquired by the commission.

The commission shall charge the state or other public agencies allocated in kind oil, gas, or other hydrocarbons the current market price of these products, including all applicable taxes. This price shall not be less than the value of the oil, gas, or other hydrocarbons which would have been received by the state if not taken in kind. The commission may also charge for any transportation, treatment, or other costs associated with taking the in kind royalty. The revenue shall be subject to the terms and conditions enumerated in Section 6217. The taxes generated by

these sales shall be distributed according to applicable provisions of the Revenue and Taxation Code.

SEC. 40. Section 14584 of the Public Resources Code is amended to read:

14584. (a) Operators of reverse vending machines or processors may apply to the California Pollution Control Financing Authority for financing pursuant to Section 44526 of the Health and Safety Code, as a means of obtaining capital for establishment of a convenience network. For purposes of Section 44508 of the Health and Safety Code, "project" includes the establishing of a recycling location pursuant to the division.

(b) Corporations, companies, or individuals may apply for loan and grant funds from the Energy Technologies Research, Development, and Demonstration Account specified in Section 25683 by applying to the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* for the purpose of demonstrating equipment for enhancing recycling opportunities.

SEC. 41. Section 21080 of the Public Resources Code is amended to read:

21080. (a) Except as otherwise provided in this division, this division shall apply to discretionary projects proposed to be carried out or approved by public agencies, including, but not limited to, the enactment and amendment of zoning ordinances, the issuance of zoning variances, the issuance of conditional use permits, and the approval of tentative subdivision maps unless the project is exempt from this division.

(b) This division does not apply to any of the following activities:

(1) Ministerial projects proposed to be carried out or approved by public agencies.

(2) Emergency repairs to public service facilities necessary to maintain service.

(3) Projects undertaken, carried out, or approved by a public agency to maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster-stricken area in which a state of emergency has been proclaimed by the Governor pursuant to Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code.

(4) Specific actions necessary to prevent or mitigate an emergency.

(5) Projects which a public agency rejects or disapproves.

(6) Actions undertaken by a public agency relating to any thermal powerplant site or facility, including the expenditure, obligation, or encumbrance of funds by a public agency for planning, engineering, or design purposes, or for the conditional sale or purchase of equipment, fuel, water (except groundwater), steam, or power for a thermal powerplant, if the powerplant site and related facility will be the subject of an environmental impact report, negative declaration, or other document, prepared pursuant to a regulatory program certified pursuant to Section 21080.5, which will be prepared by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, by the Public Utilities Commission, or by the city or county in which the powerplant and related facility would be located if the environmental impact report, negative declaration, or document includes the environmental impact, if any, of the action described in this paragraph.

(7) Activities or approvals necessary to the bidding for, hosting or staging of, and funding or carrying out of, an Olympic games under the authority of the International Olympic Committee, except for the construction of facilities necessary for the Olympic games.

(8) The establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of (A) meeting operating expenses, including employee wage rates and fringe benefits, (B) purchasing or leasing supplies, equipment, or materials, (C) meeting financial reserve needs and requirements, (D) obtaining funds for capital projects necessary to maintain service within existing service areas, or (E) obtaining funds necessary to maintain those intracity transfers as are authorized by city charter. The public agency shall incorporate written findings in the record of any proceeding in which an exemption under this paragraph is claimed setting forth with specificity the basis for the claim of exemption.

(9) All classes of projects designated pursuant to Section 21084.

(10) A project for the institution or increase of passenger or commuter services on rail or highway rights-of-way already in use, including modernization of existing stations and parking facilities.

(11) A project for the institution or increase of passenger or commuter service on high-occupancy vehicle lanes already in use, including the modernization of existing stations and parking facilities.

(12) Facility extensions not to exceed four miles in length which are required for the transfer of passengers from or to exclusive public mass transit guideway or busway public transit services.

(13) A project for the development of a regional transportation improvement program, the state transportation improvement program, or a congestion management program prepared pursuant to Section 65089 of the Government Code.

(14) Any project or portion thereof located in another state which will be subject to environmental impact review pursuant to the National Environmental Policy Act of 1969 (42 U.S.C. Sec. 4321 et seq.) or similar state laws of that state. Any emissions or discharges that would have a significant effect on the environment in this state are subject to this division.

(15) Projects undertaken by a local agency to implement a rule or regulation imposed by a state agency, board, or commission under a certified regulatory program pursuant to Section 21080.5. Any site-specific effect of the project which was not analyzed as a significant effect on the environment in the plan or other written documentation required by Section 21080.5 is subject to this division.

(c) If a lead agency determines that a proposed project, not otherwise exempt from this division, would not have a significant effect on the environment, the lead agency shall adopt a negative declaration to that effect. The negative declaration shall be prepared for the proposed project in either of the following circumstances:

(1) There is no substantial evidence, in light of the whole record before the lead agency, that the project may have a significant effect on the environment.

(2) An initial study identifies potentially significant effects on the environment, but (A) revisions in the project plans or

proposals made by, or agreed to by, the applicant before the proposed negative declaration and initial study are released for public review would avoid the effects or mitigate the effects to a point where clearly no significant effect on the environment would occur, and (B) there is no substantial evidence, in light of the whole record before the lead agency, that the project, as revised, may have a significant effect on the environment.

(d) If there is substantial evidence, in light of the whole record before the lead agency, that the project may have a significant effect on the environment, an environmental impact report shall be prepared.

(e) (1) For the purposes of this section and this division, substantial evidence includes fact, a reasonable assumption predicated upon fact, or expert opinion supported by fact.

(2) Substantial evidence is not argument, speculation, unsubstantiated opinion or narrative, evidence that is clearly inaccurate or erroneous, or evidence of social or economic impacts that do not contribute to, or are not caused by, physical impacts on the environment.

(f) As a result of the public review process for a mitigated negative declaration, including administrative decisions and public hearings, the lead agency may conclude that certain mitigation measures identified pursuant to paragraph (2) of subdivision (c) are infeasible or otherwise undesirable. In those circumstances, the lead agency, prior to approving the project, may delete those mitigation measures and substitute for them other mitigation measures that the lead agency finds, after holding a public hearing on the matter, are equivalent or more effective in mitigating significant effects on the environment to a less than significant level and that do not cause any potentially significant effect on the environment. If those new mitigation measures are made conditions of project approval or are otherwise made part of the project approval, the deletion of the former measures and the substitution of the new mitigation measures shall not constitute an action or circumstance requiring recirculation of the mitigated negative declaration.

(g) Nothing in this section shall preclude a project applicant or any other person from challenging, in an administrative or judicial proceeding, the legality of a condition of project approval imposed by the lead agency. If, however, any condition

of project approval set aside by either an administrative body or court was necessary to avoid or lessen the likelihood of the occurrence of a significant effect on the environment, the lead agency's approval of the negative declaration and project shall be invalid and a new environmental review process shall be conducted before the project can be reapproved, unless the lead agency substitutes a new condition that the lead agency finds, after holding a public hearing on the matter, is equivalent to, or more effective in, lessening or avoiding significant effects on the environment and that does not cause any potentially significant effect on the environment.

SEC. 42. Section 25104 of the Public Resources Code is amended to read:

25104. "Commission" means the ~~State Energy Resources Conservation and Development~~ *California Energy* Commission.

SEC. 43. Section 25104.1 is added to the Public Resources Code, to read:

25104.1. (a) "Department" means the Department of Energy.

(b) "Office" means the Office of Energy Market Oversight.

SEC. 44. Section 25104.2 is added to the Public Resources Code, to read:

25104.2. "Secretary" means the Secretary of Energy.

SEC. 45. Section 25106 of the Public Resources Code is amended to read:

25106. "Adviser" means the administrative adviser employed by the ~~commission~~ *department* pursuant to Section ~~25217~~ *25217.1*.

SEC. 46. Section 25107 of the Public Resources Code is amended to read:

25107. "Electric transmission line" means any electric powerline carrying electric power from a thermal powerplant located within the state to a point of junction with any interconnected transmission system. "Electric transmission line" does not include any replacement on the existing site of existing electric powerlines with electric powerlines equivalent to ~~such~~ *the* existing electric powerlines or the placement of new or additional conductors, insulators, or accessories related to ~~such~~ electric powerlines on supporting structures in existence on the effective date of this division or certified pursuant to this division. *"Electric transmission line" also includes all of the*

*electric transmission lines described in subdivision (b) of Section 1001 of the Public Utilities Code.*

SEC. 47. Section 25110 of the Public Resources Code is amended to read:

25110. "Facility" means any electric transmission line or thermal powerplant, or both electric transmission line and thermal powerplant, regulated according to ~~the provisions of~~ this division. *"Facility" also includes those natural gas lines and storage facilities described in subdivision (b) of Section 1001 of the Public Utilities Code.*

SEC. 48. Section 25112 of the Public Resources Code is amended to read:

25112. "Member" or "member of the commission" means a member of the ~~State Energy Resources Conservation and Development~~ *California Energy* Commission appointed pursuant to Section ~~25200~~ *25203*.

SEC. 49. The heading of Chapter 3 (commencing with Section 25200) of Division 15 of the Public Resources Code is amended to read:

CHAPTER 3. ~~DEPARTMENT OF ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION~~ *DEPARTMENT OF ENERGY*

SEC. 50. Section 25200 of the Public Resources Code is repealed.

~~25200. There is in the Resources Agency the State Energy Resources Conservation and Development Commission, consisting of five members appointed by the Governor subject to Section 25204.~~

SEC. 51. Section 25200 is added to the Public Resources Code, to read:

25200. (a) The Department of Energy is hereby created in state government to be headed by a Secretary who shall be appointed by, and hold office at the pleasure of, the Governor, subject to Senate confirmation.

(b) The Secretary of Energy shall have the power of a head of a department pursuant to Chapter 2 (commencing with Section 11150) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) The Governor may appoint, and the Secretary shall fix, the salary of an Assistant Secretary of Energy who shall serve at the pleasure of the Secretary.

(d) Consistent with the powers set forth in Chapter 2 (commencing with Section 12850) of Part 2.5 of Division 3 of Title 2 of the Government Code, the secretary shall organize the department, with the approval of the Governor, in the manner he or she deems necessary to properly conduct the operations of the department. The secretary may employ legal counsel who shall advise the department in connection with legal matters and litigation before any boards, agencies, or courts of the state or federal government.

(e) The department shall be responsible for the planning, development, and implementation of all major aspects of the state energy policy, including electricity and natural gas energy.

(f) On or before January 1, 2006, the secretary shall submit to the Legislature a proposal to recodify statutory provisions related to the department, and any other appropriate provisions, into an Energy Code.

SEC. 52. Section 25201 of the Public Resources Code is repealed.

~~25201. One member of the commission shall have a background in the field of engineering or physical science and have knowledge of energy supply or conversion systems; one member shall be an attorney and a member of the State Bar of California with administrative law experience; one member shall have background and experience in the field of environmental protection or the study of ecosystems; one member shall be an economist with background and experience in the field of natural resource management; and one member shall be from the public at large.~~

SEC. 53. Section 25201 is added to the Public Resources Code, to read:

25201. (a) The Department of Energy hereby succeeds to, and is vested with, all the powers, duties, responsibilities, obligations, liabilities, and jurisdiction of the following agencies, which shall no longer exist, and shall be known as predecessor entities:

(1) The State Energy Resources Conservation and Development Commission, some of whose former functions shall

be administrated by the California Energy Commission within the department as provided by law.

(2) California Consumer Power and Conservation Financing Authority.

(3) Electricity Oversight Board.

(b) Any reference in any law or regulation to any of the predecessor entities listed in subdivision (a) shall be deemed to refer to the Department of Energy or the California Energy Commission, as appropriate, unless the context requires otherwise.

SEC. 54. Section 25202 of the Public Resources Code is repealed.

~~25202. The Secretary of the Resources Agency and the President of the Public Utilities Commission shall be ex officio, nonvoting members of the commission, whose presence shall not be counted for a quorum or for vote requirements.~~

SEC. 55. Section 25202 is added to the Public Resources Code, to read:

25202. In addition to the powers, duties, responsibilities, and jurisdiction specified in Section 25201, the Department of Energy hereby succeeds to, and is vested with, all the powers, duties, responsibilities, obligations, liabilities, and jurisdiction of all of the following:

(a) The California Energy Extension Service of the Office of Planning and Research.

(b) The functions of the Department of Water Resources related to the purchase and sales of electric power under Division 27 (commencing with Section 1308) of the Water Code and all other related functions of the Department of Water Resources pursuant to that division, including, but not limited to, the issuance and repayment of revenue bonds and the establishment and revision of revenue requirements.

(c) All functions of the Energy Assessment Program or its successor entity within the Department of General Services.

(d) All functions of the Energy Services Programs or their successor entities in the Office of the State Architect within the Department of General Services.

SEC. 56. Section 25203 of the Public Resources Code is repealed.

~~25203. Each member of the commission shall represent the state at large and not any particular area thereof, and shall serve on a full-time basis.~~

SEC. 57. Section 25203 is added to the Public Resources Code, to read:

25203. (a) There is, in the state government, the California Energy Commission, which is hereby created within the Department of Energy.

(b) The commission shall consist of all of the following:

(1) The Secretary of Energy, who shall serve as the chair of the commission.

(2) Four public members with one member meeting each of the following requirements:

(A) A person having a background in the field of engineering or physical science with knowledge in energy supply or conversion systems.

(B) A member of the State Bar of California with administrative law experience.

(C) A person having a background in environmental protection or the study of ecosystems.

(D) An economist with background and experience in the field of natural resource management.

(3) The president of the California Public Utilities Commission.

(4) The president and chief executive officer of the California Independent System Operator.

(c) The president of the California Public Utilities Commission and the president and chief executive officer of the California Independent System Operator shall serve as ex officio, nonvoting members of the commission, whose presence shall not be counted for a quorum or for vote requirements.

(d) The Governor shall appoint the public members of the commission, subject to confirmation by the Senate, for a term of four years. The public members shall serve staggered terms. Any vacancy shall be filled by the Governor within 30 days of the date on which a vacancy occurs for the unexpired portion of the term in which it occurs or for any new term of office. If the Governor fails to make an appointment for a vacancy within the 30-day period, the Senate Rules Committee may make the appointment to fill the vacancy for the unexpired portion of the

term in which the vacancy occurred or for any new term of office. Members of the predecessor State Energy Resources Conservation and Development Commission shall continue to serve as public members of the commission for the remainder of the terms they were appointed to serve on the predecessor commission.

(e) Each member of the commission shall represent the state at large and not any particular area thereof, and shall serve on a full-time basis.

(f) The secretary may name a designee who may act in the place of the secretary in hearing any matter before the commission, except on any matter for which the secretary determines he or she may have a conflict of interest in hearing a case. The participation of the designee will count for quorum and voting purposes.

(g) The commission hereby succeeds to, and is vested with, all powers, duties, obligations, liabilities, responsibilities, and jurisdiction of the predecessor State Energy Resources Conservation and Development Commission set forth in Chapter 6 (commencing with Section 25500).

(h) Meetings of the commission shall be open to the public and shall be conducted in accordance with the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 58. Section 25204 of the Public Resources Code is repealed.

~~25204. The Governor shall appoint the members of the commission within 30 days after the effective date of this division. Every appointment made by the Governor to the commission shall be subject to the advice and consent of a majority of the members elected to the Senate.~~

SEC. 59. Section 25204 is added to the Public Resources Code, to read:

25204. (a) All regulations and orders adopted by the entities listed in subdivision (a) of Section 25201 or functions listed in Section 25202, and any of their predecessors in effect on or before the effective date of this measure, shall remain in effect with respect to the programs and functions for which they were adopted, and shall be fully enforceable unless and until

readopted, amended, or repealed, or until they expire by their own terms.

(b) Except as otherwise specified, a statute, law, rule, or regulation now in force, or that may hereafter be enacted or adopted that references the entities listed in subdivision (a) of Section 25201 or functions listed in Section 25202 or any of their predecessors shall mean the Department of Energy.

(c) An action by or against the entities listed in subdivision (a) of Section 25201 or Section 25202, or any of their predecessors shall not abate but, except as provided in Section 25227.3, shall continue in the name of the Department of Energy and the department shall be substituted for the entities and any of their predecessors by the court where the action is pending. The substitution shall not in any way affect the rights of the parties to the action.

(d) With respect to the members of the California Energy Commission other than public members appointed pursuant to paragraph (2) of subdivision (b) of Section 25203 or continuing to serve pursuant to subdivision (e) of Section 25203, the rule in effect regarding ex parte communications shall be applicable only as to communications regarding a matter pending before the commission.

SEC. 60. Section 25205 of the Public Resources Code is amended to read:

25205. (a) No person shall be a *public* member of the commission *pursuant to paragraph (2) of subdivision (b) of Section 25203* who, during the two years prior to appointment on the commission, received any substantial portion of his income directly or indirectly from any electric *or natural gas* utility, or who engages in sale or manufacture of any major component of any facility *subject to licensing by the commission*. No member of the commission shall be employed by any electric utility, applicant, or, within two years after he ceases to be a member of the commission, by any person who engages in the sale or manufacture of any major component of any facility *subject to licensing by the commission*.

(b) Except as provided in Section ~~25202~~ *25203*, the members of the commission shall not hold any other elected or appointed public office or position.

(c) The members of the commission and all employees of the commission shall comply with all applicable provisions of Section 19251 of the Government Code.

(d) No person who is a member or employee of the commission shall participate personally and substantially as a member or employee of the commission, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in a judicial or other proceeding, hearing, application, request for a ruling, or other determination, contract, claim, controversy, study, plan, or other particular matter in which, to his *or her* knowledge, he *or she*, his *or her* spouse, minor child, or partner, or any organization, except a governmental agency or educational or research institution qualifying as a nonprofit organization under state or federal income tax law, in which he *or she* is serving, or has served as officer, director, trustee, partner, or employee while serving as a member or employee of the commission or within two years prior to his *or her* appointment as a member of the commission, has a direct or indirect financial interest.

(e) No person who is a partner, employer, or employee of a member or employee of the commission shall act as an attorney, agent, or employee for any person other than the state in connection with any judicial or other proceeding, hearing, application, request for a ruling, or other determination, contract, claim, controversy, study, plan, or other particular matter in which the commission is a party or has a direct and substantial interest.

(f) ~~The provisions of this~~ *This* section shall not apply if the Attorney General finds that the interest of the member or employee of the commission is not so substantial as to be deemed likely to affect the integrity of the services which the state may expect from such member or employee.

(g) Any person who violates any provision of this section is guilty of a felony and shall be subject to a fine of not more than ten thousand dollars ($10,000) or imprisonment in the state prison, or both.

(h) The amendment of subdivision (d) of this section enacted by the 1975–76 Regular Session of the Legislature does not constitute a change in, but is declaratory of, the existing law.

SEC. 61. Section 25205.5 is added to the Public Resources Code, to read:

25205.5. No contract, lease, license, bond, or any other agreement to which the entities listed in subdivision (a) of Section 25201 or functions listed in Section 25202, or any of their predecessors are a party shall be void or voidable by reason of this act, but shall continue in full force and effect, with the Department of Energy assuming all the rights, obligations, liabilities, and duties of the entities and any of their predecessors. That assumption by the department shall not in any way affect the rights of the parties to the contract, lease, license, or agreement. Bonds issued by the entities or any of their predecessors, on or before the effective date of this section, shall become the indebtedness of any newly created entity. Any ongoing obligations or responsibilities of the entities or any of their predecessors for managing and maintaining bond issuances shall be transferred to the newly created entity without impairment to any security contained in the bond instrument.

SEC. 62. Section 25206 of the Public Resources Code is repealed.

~~25206. The terms of office of the members of the commission shall be for five years, except that the members first appointed to the commission shall classify themselves by lot so that the term of office of one member shall expire at the end of each one of the five years following the effective date of this division. Any vacancy shall be filled by the Governor within 30 days of the date on which a vacancy occurs for the unexpired portion of the term in which it occurs or for any new term of office.~~

~~If the Governor fails to make an appointment for any vacancy within such 30-day period, the Senate Rules Committee may make the appointment to fill the vacancy for the unexpired portion of the term in which the vacancy occurred or for any new term of office, subject to the provisions of Section 25204.~~

SEC. 63. Section 25206 is added to the Public Resources Code, to read:

25206. On or after the effective date of this measure, the unexpended balance of all funds available for use by the entities listed in subdivision (a) of Section 25201 or for the performance of functions listed in Section 25202 or any of their predecessors in carrying out a function transferred to the Department of

Energy shall be available for use by the department. Unexpended balances shall be utilized consistent with the purposes for which they were appropriated. All books, documents, records, and property of the entities shall be transferred to the department.

SEC. 64. Section 25207 of the Public Resources Code is amended to read:

25207. *(a)* The *public* members of the commission shall receive the salary provided for by Chapter 6 (commencing with Section 11550) of Part 1 of Division 3 of Title 2 of the Government Code.

~~Each~~

*(b) Each* member of the commission shall receive the necessary traveling and other expenses incurred in the performance of his official duties. When necessary, the members of the commission and its employees may travel within or without the state.

SEC. 65. Section 25207.5 is added to the Public Resources Code, to read:

25207.5. (a) An officer or employee of the entities listed in subdivision (a) of Section 25201 or Section 25202 who is performing a function transferred to the Department of Energy and who is serving in the state civil service, other than as a temporary employee, shall be transferred to the department. The status, position, and rights of an officer or employee of the entities shall not be affected by the transfer and shall be retained by the person as an officer or employee of the department, as the case may be, pursuant to the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5 of Title 2 of the Government Code), except as to a position that is exempt from civil service.

(b) The Department of Energy shall have possession and control of all records, pages, offices, equipment, supplies, moneys, funds, appropriations, licenses, permits, agreements, contracts, claims, judgments, land, and other property, real or personal, connected with the administration of, or held for, the benefit or use of the entities listed in subdivision (a) of Section 25201 or for the performance of the functions listed in Section 25202.

SEC. 66. Section 25208 is added to the Public Resources Code, to read:

25208. (a) All responsibilities of the Public Utilities Commission that are transferred pursuant to subdivision (b) of Section 1001 of the Public Utilities Code shall be transferred in an expeditious and orderly manner to the Department of Energy or the California Energy Commission, as the case may be. Resources, including personnel, associated with responsibilities transferred to the department shall also be transferred to the department in an expeditious manner. The Secretary of Energy may allocate the responsibilities transferred to the department by the Public Utilities Commission among the divisions of the department.

(b) Applications on file before the Public Utilities Commission on or before the effective date of this measure, may proceed to decision before the Public Utilities Commission and the procedural rules and substantive regulations of that agency shall apply until final decision on the application.

(c) On and after the effective date of this measure, all rules and orders in effect with respect to the requirements of an application for certificate under Section 1001 of the Public Utilities Code, including, but not limited to, General Order 131-D of the Public Utilities Commission, shall remain in effect and shall also be considered a rule of the department. The secretary shall cause timely publication of all such rules that may be enumerated to effect a logical integration with other rules of the department. Any subsequent modification of these rules as they apply to the jurisdiction of the department shall be carried out in conformance with the procedures of the department.

(d) The commission and the Public Utilities Commission may, by jointly adopted order, provide a mechanism for an applicant to move for the transfer of an application pending before the Public Utilities Commission for completion before the commission. The order shall preserve the status and rights of any party to an existing proceeding.

SEC. 67. Section 25212 of the Public Resources Code is amended to read:

25212. ~~Every two years the Governor shall designate a chairman and~~ *The Secretary of Energy may appoint a* vice ~~chairman~~ *chair* of the commission from among its *public* members.

SEC. 68. Section 25214 of the Public Resources Code is amended to read:

25214. The commission shall maintain its headquarters in the County of Sacramento and may establish branch offices in such parts of the state as the commission deems necessary. The commission shall hold meetings at ~~such~~ *the* times and at ~~such~~ *the* places as shall be determined by it. All meetings and hearings of the commission shall be open to the public, and opportunity to be heard with respect to the subject of the hearings shall be afforded to any person. Upon request, an interested party may be granted reasonable opportunity to examine any witness testifying at the hearing. ~~The first meeting of the commission shall be held within 30 days after the confirmation of the last member of the commission pursuant to Section 25204. The Governor shall designate the time and place for the first meeting of the commission.~~

SEC. 69. Section 25216.5 of the Public Resources Code is amended to read:

25216.5. The ~~commission~~ *department* shall do all of the following:

(a) Prescribe the form and content of applications for facilities; conduct public hearings and take other actions to secure adequate evaluation of applications; and formally act to approve or disapprove applications, including specifying conditions under which approval and continuing operation of any facility shall be permitted.

(b) Prepare an integrated plan specifying actions to be taken in the event of an impending serious shortage of energy, or a clear threat to public health, safety, or welfare.

(c) Evaluate policies governing the establishment of rates for electric power and other sources of energy as related to energy conservation, environmental protection, and other goals and policies established in this division, and transmit recommendations for changes in power-pricing policies and rate schedules to the Governor, the Legislature, to the Public Utilities Commission, and to publicly owned electric utilities.

(d) Serve as a central repository within the state government for the collection, storage, retrieval, and dissemination of data and information on all forms of energy supply, demand, conservation, public safety, research, and related subjects. The

data and information shall be derived from all sources, including, but not be limited to, electric and gas utilities, oil and other energy producing companies, institutions of higher education, private industry, public and private research laboratories, private individuals, and from any other source that the ~~commission~~ *department* determines is necessary to carry out its objectives under this division. The ~~commission~~ *department* may charge and collect a reasonable fee for retrieving and disseminating any ~~such~~ information to cover the cost of ~~such a~~ *that* service. Any funds received by the ~~commission~~ *department* pursuant to this subdivision shall be deposited in the account and are continuously appropriated for expenditure, by the ~~commission~~ *department*, for purposes of retrieving and disseminating any ~~such~~ information pursuant to this section.

SEC. 70. Section 25217 of the Public Resources Code is repealed.

~~25217. The commission shall do all of the following:~~

~~(a) Appoint an executive director with administration and fiscal experience, who shall serve at its pleasure and whose duties and salary shall be prescribed by the commission.~~

~~(b) Employ and prescribe the duties of other staff members as necessary to carry out the provisions of this division. Staff members of the commission may participate in all matters before the commission to the limits prescribed by the commission.~~

~~(c) Employ legal counsel who shall advise the commission and represent it in connection with legal matters and litigation before any boards and agencies of the state or federal government.~~

SEC. 71. Section 25217.1 of the Public Resources Code is amended to read:

25217.1. The ~~commission~~ *secretary* shall ~~nominate and the Governor shall~~ appoint ~~for a term of three years~~ a public adviser to the ~~commission~~ *department* who shall be an attorney admitted to the practice of law in this state and who shall *serve at the pleasure of the secretary and shall* carry out the provisions of Section 25222 as well as other duties prescribed by this division or by the ~~commission~~ *secretary*. ~~The adviser may be removed from office only upon the joint concurrence of four commissioners and the Governor.~~

SEC. 72. Section 25217.5 of the Public Resources Code is repealed.

~~25217.5. The chairman of the commission shall direct the adviser, the executive director, and other staff in the performance of their duties in conformance with the policies and guidelines established by the commission.~~

SEC. 73. Section 25218 of the Public Resources Code is amended to read:

25218. In addition to other powers specified in this division, the ~~commission~~ *department* may do any of the following:

(a) Apply for and accept grants, contributions, and appropriations.

(b) Contract for professional services if such work or services cannot be satisfactorily performed by its employees or by any other state agency.

(c) Be sued and sue.

(d) Request and utilize the advice and services of all federal, state, local, and regional agencies.

(e) Adopt any rule or regulation, or take any action, it deems reasonable and necessary to carry out the provisions of this division.

(f) Adopt rules and regulations, or take any action, it deems reasonable and necessary to ensure the free and open participation of any member of the staff in proceedings before the ~~commission~~ *department*.

SEC. 74. Section 25219 of the Public Resources Code is amended to read:

25219. As to any matter involving the federal government, its departments or agencies, which is within the scope of the power and duties of the ~~commission~~ *department*, the ~~commission~~ *department* may represent its interest or the interest of any county, city, state agency, or public district upon its request, and to that end may correspond, confer, and cooperate with the federal government, its departments or agencies.

SEC. 75. Section 25220 of the Public Resources Code is amended to read:

25220. The ~~commission~~ *department* may participate as a party, to the extent that it shall determine, in any proceeding before any federal or state agency having authority whatsoever to approve or disapprove any aspect of a proposed facility, receive notice from any applicant of all applications and pleadings filed subsequently by such applicants in any of ~~such~~ *those*

proceedings, and, by its request, receive copies of any of ~~such~~ *any* subsequently filed applications and pleadings that it shall deem necessary.

SEC. 76. Section 25221 of the Public Resources Code is amended to read:

25221. ~~Upon~~ *Except as provided in Section 25228.4, upon* request of the ~~commission~~ *department*, the Attorney General shall represent the ~~commission~~ *department* and the state in litigation concerning affairs of the ~~commission~~ *department*, unless the Attorney General represents another state agency, in which case the ~~commission~~ *department* shall be authorized to employ other counsel.

SEC. 77. Section 25222 of the Public Resources Code is amended to read:

25222. The adviser shall insure that full and adequate participation by all interested groups and the public at large is secured in the planning, site and facility certification, energy conservation, and emergency allocation procedures provided in this division. The adviser shall insure that timely and complete notice of *department and* commission meetings and public hearings is disseminated to all interested groups and to the public at large. The adviser shall also advise such groups and the public as to effective ways of participating in the *department's and the* commission's proceedings. The adviser shall recommend to the *department and the* commission additional measures to assure open consideration and public participation in energy planning, site and facility certification, energy conservation, and emergency allocation proceedings.

SEC. 78. Section 25223 of the Public Resources Code is amended to read:

25223. ~~The~~ *(a) Except as provided in subdivision (b), the department and* commission shall make available any information filed or submitted pursuant to this division under the provisions of the California Public Records Act, Chapter 3.5 (commencing with Section 6250) of Division 7, Title 1 of the Government Code~~; provided, however, that the commission~~.

*(b) The department and the commission* shall keep confidential any information submitted to the Division of Oil and Gas of the Department of Conservation that the division determines, pursuant to Section 3752, to be proprietary.

SEC. 79. Section 25224 of the Public Resources Code is amended to read:

25224. The ~~commission~~ *department* and other state agencies shall, to the fullest extent possible, exchange records, reports, material, and other information relating to energy resources and conservation and power facilities siting, or any areas of mutual concern, to the end that unnecessary duplication of effort may be avoided.

SEC. 80. Section 25225 of the Public Resources Code is amended to read:

25225. (a) Prior to expending any funds for any research, development, or demonstration program or project relating to vehicles or vehicle fuels, the ~~commission~~ *department* shall do both of the following, using existing resources:

(1) Adopt a plan describing any proposed expenditure that sets forth the expected costs and qualitative as well as quantitative benefits of the proposed program or project.

(2) Find that the proposed program or project will not duplicate any other past or present publicly funded California program or project. This paragraph is not intended to prevent funding for programs or projects jointly funded with another public agency where there is no duplication.

(b) Within 120 days from the date of the conclusion of a program or project subject to subdivision (a) that is funded by the ~~commission~~ *department*, the ~~commission~~ *department* shall issue a public report that sets forth the actual costs of the program or project, the results achieved and how they compare with expected costs and benefits determined pursuant to paragraph (1) of subdivision (a), and any problems that were encountered by the program or project.

(c) (1) This section does not apply to any funds appropriated for research, development, or demonstration pursuant to a statute that expressly specifies both of the following:

(A) A vehicle technology or vehicle fuel which is the subject of the research, development, or demonstration.

(B) The purpose of, or anticipated products of, the research, development, or demonstration.

(2) This section does not apply to the Katz Safe Schoolbus Clean Fuel Efficiency Demonstration Program (Part 10.7

(commencing with Section 17910) of Division 1 of Title 1 of the Education Code).

SEC. 81. Section 25226 of the Public Resources Code is amended to read:

25226. (a) The Energy Technologies Research, Development, and Demonstration Account established under former Section 25683 is hereby continued in existence, in the General Fund, to be administered by the ~~commission~~ *department* for the purpose of carrying out Chapter 7.3 (commencing with Section 25630) and Chapter 7.5 (commencing with Section 25650).

(b) The Controller shall deposit in the account all money appropriated to the account by the Legislature, plus accumulated interest on that money, and money from loan repayments, interest, and royalties pursuant to Sections 25630 and 25650, for use by the ~~commission~~ *department*, upon appropriation by the Legislature, for the purposes specified in Chapter 7.3 (commencing with Section 25630) and Chapter 7.5 (commencing with Section 25650).

SEC. 82. Chapter 3.5 (commencing with Section 25227) is added to Division 15 of the Public Resources Code, to read:

## Chapter 3.5. Office Of Energy Market Oversight

25227. The Legislature finds and declares that in order to ensure the success of electric industry restructuring, in the transition to a new market structure it is important to ensure a reliable supply of electricity. Reliable electric service is of paramount importance to the safety, health, and comfort of the people of California. Transmission connections between electric utilities allow them to share generation resources and reduce the number of powerplants necessary to maintain a reliable system. The connections between utilities also create exposure to events that can cause widespread and extended transmission and service outages that reach far beyond the originating utility service area. California utilities and those in the western United States voluntarily adhere to reliability standards developed by the Western Electricity Coordinating Council. The economic cost of extended electricity outages, such as those that occurred in California and throughout the Western Electricity Coordinating

Council on July 2, 1996, and August 10, 1996, to California's residential, commercial, agricultural, and industrial customers is significant. The proposed restructuring of the electricity industry would transfer responsibility for ensuring short- and long-term reliability away from electric utilities and regulatory bodies to the Independent System Operator and various market-based mechanisms. The Legislature has an interest in ensuring that the change in the locus of responsibility for reliability does not expose California citizens to undue economic risk in connection with system reliability.

25227.1. In order to ensure that the interests of the people of California are served, there is hereby created within the department, the Office of Energy Market Oversight. Under the direction of the Secretary of Energy, the office shall perform all of the following functions:

(a) Oversee the Independent System Operator and the Power Exchange.

(b) Determine the composition and terms of service, and exercise the exclusive right to decline to confirm the appointments of specific members of the governing board of the Power Exchange.

(c) Hear and decide appeals of majority decisions of the Independent System Operator governing board, as they relate to matters subject to exclusive state jurisdiction, as specified in Section 25227.3.

(d) Those members of the Power Exchange governing board whose appointments the department has the exclusive right to decline to confirm include proposed governing board members representing agricultural end-users, industrial end-users, commercial end-users, residential end-users, end-users at large, nonmarket participants, and public interest groups.

(e) Investigate any matter related to the wholesale market for electricity to ensure that the interests of California's citizens and consumers are served, protected, and represented in relation to the availability of electric transmission and generation and related costs.

(f) Appear in all relevant proceedings before the Federal Energy Regulatory Commission on behalf of California energy consumers and as the representative of the state's energy policy.

25227.3. (a) Any reference in the law to the "Electricity Oversight Board" shall mean the Office of Energy Market Oversight in the Department of Energy, as successor to those entities.

(b) The Office of Energy Market Oversight may exercise any right that exists in the name of the former Electricity Oversight Board and may pursue and continue to final resolution any claim or right that exists in the name of the Electricity Oversight Board. It may take an action in its own name, or may maintain it in the name of the former Electricity Oversight Board, as it determines will best preserve and protect the interests of the public in those rights or claims.

(c) An action initiated, joined, or pursued by the Office of Energy Market Oversight shall not be considered an action by any other office, division, or commission within the Department of Energy unless specifically stated in a pleading. The office shall maintain separation, as is necessary, to prevent any conflicts between its mission and any other program or function within the department.

(d) Any pending litigation for which there could be a conflict if combined with another program reorganized under the Department of Energy, including, but not limited to, the Federal Energy Regulatory Commission dockets EL02-60 and EL02-62, and any related appeals or remands, shall be continued by the Office of Energy Market Oversight in the name of the Electricity Oversight Board and maintained separate from all other programs of the department. The office shall report on the resolution of those cases any such case directly to the legal affairs office of the Governor.

(e) Agencies that are parties to, or commenting agencies in, matters before the Federal Energy Regulatory Commission as of the effective date of this section shall cooperate with the office to ensure orderly transition to coordinated representation of the state's interests under the department.

25227.5. The Office of Energy Market Oversight shall have the exclusive right to approve procedures and the qualifications for Power Exchange governing board members specified in subdivision (d) of Section 25227, all of whom shall be required to be electricity customers in the area served by the Power Exchange. The Power Exchange governing board shall include,

but not be limited to, representatives of investor-owned electric distribution companies, publicly owned electric distribution companies, nonutility generators, public buyers and sellers, private buyers and sellers, industrial end-users, commercial end-users, residential end-users, agricultural end-users, public interest groups, and nonmarket participant representatives. The structural composition of the Power Exchange governing board existing on July 1, 1999, shall remain in effect until an agreement with a participating state is legally in effect. However, prior to such an agreement, California shall retain the right to change the Power Exchange governing board into a nonstakeholder board. In the event of such a legislative change, revised bylaws shall be filed with the Federal Energy Regulatory Commission under Section 205 of the Federal Power Act (16 U.S.C.A. Sec. 824d).

25227.6. (a) The Office of Energy Market Oversight shall hear and decide appeals of majority decisions of the Independent System Operator governing board relating to matters that are identified in subdivision (b) as they pertain to the Independent System Operator.

(b) The following matters are subject to California's exclusive jurisdiction:

(1) Selections by California of governing board members, as described in Sections 25227.1 and 25227.3, and Section 345.1 of the Public Utilities Code.

(2) Matters pertaining to retail electric service or retail sales of electric energy.

(3) Ensuring that the purposes and functions of the Independent System Operator and Power Exchange are consistent with the purposes and functions of California nonprofit public benefit corporations, including duties of care and conflict of interest standards for directors of the corporations.

(4) State functions assigned to the Independent System Operator and Power Exchange under state law.

(5) Open meeting standards and meeting notice requirements.

(6) Appointment of advisory representatives representing state interests.

(7) Public access to corporate records.

(8) The amendment of bylaws relevant to these matters.

(c) Only members of the Independent System Operator governing board may appeal a majority decision of the

Independent System Operator related to any of the matters specified in subdivision (b) to the Office of Energy Market Oversight.

25227.8. The Office of Energy Market Oversight may do all of the following:

(a) Accept appropriations, grants, or contributions from any public source, private foundation, or individual.

(b) Sue and be sued.

(c) Contract with state, local, or federal agencies for services or work required by the office.

(d) Contract for or employ any services or work, including expert witness and attorney services required by the office that in its opinion cannot satisfactorily be performed by its staff, by other subdivisions of the department, or by other state agencies.

(e) Appoint advisory committees from members of other public agencies and private groups or individuals.

(f) Hold hearings at the times and places it may deem proper.

(g) Issue subpoenas to compel the production of books, records, papers, accounts, reports, and documents and the attendance of witnesses.

(h) Administer oaths.

(i) Adopt or amend rules and regulations to carry out the purposes and provisions of this chapter, and to govern the procedures of the office.

(j) Exercise any authority consistent with this chapter delegated to it by a federal agency or authorized to it by federal law.

(k) Make recommendations to the Governor and the Legislature at the time or times the office deems necessary.

(*l*) Participate in proceedings relevant to the purposes of this chapter or to the purposes of Division 4.9 (commencing with Section 9600) of the Public Utilities Code or consistent with the policies of the department, participate in activities to promote the formation of interstate agreements to enhance the reliability and function of the electricity system and the electricity market.

(m) Do any and all other things necessary to carry out the purposes of this chapter.

25228. The Office of Energy Market Oversight may adopt rules or protective orders to protect the confidential status of market sensitive information.

25228.2. (a) The Office of Energy Market Oversight in the department succeeds to and is vested with all duties, responsibilities, powers, jurisdiction, liabilities, and functions of the Electricity Oversight Board, which is hereby abolished. Any reference in any law to the duties, responsibilities, powers, and functions of the Electricity Oversight Board, which no longer exists, shall be considered a reference to the Office of Energy Market Oversight unless the context otherwise requires.

(b) All officers and employees of the Electricity Oversight Board who, on the effective date of this section, are serving in the state civil service, other than as temporary employees, shall be transferred to the Department of Energy pursuant to Section 19050.9 of the Government Code. The status, position, and rights of any officer or employee of the board shall not be affected by the transfer and shall be retained by the person as an officer or employee of the department, as the case may be, pursuant to the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5 of Title 2 of the Government Code), except as to a position that is exempt from civil service.

(c) As soon as practicable, the Secretary of Energy shall report to the Department of Finance on whether the resources transferred to the department are sufficient to ensure that all of the state's interests can be adequately represented under subdivision (f) of Section 25227.1. The Department of Finance shall assess whether the consolidation of this function under the department allows the transfer of any resources previously used to support this function within any other agency to the department.

25228.4. The Secretary of Energy may appoint, and fix the salary of, a deputy who shall have charge of administering the affairs of the Office of the Energy Market Oversight, including entering into contracts, subject to policies of the department. Notwithstanding Sections 11042 and 11043 of the Government Code, the office shall appoint an attorney who shall advise and represent the office and the People of the State of California as a party in any state or federal action, proceeding, or litigation related to the purposes of this chapter or to an action of the office and who shall perform generally all the duties of attorney with respect to the office.

SEC. 83. Section 25301 of the Public Resources Code is amended to read:

25301. (a) At least every two years, the ~~commission~~ *department* shall conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices. The ~~commission~~ *department* shall use these assessments and forecasts to develop energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. To perform these assessments and forecasts, the ~~commission~~ *department* may require submission of demand forecasts, resource plans, market assessments, and related outlooks from electric and natural gas utilities, transportation fuel and technology suppliers, and other market participants. These assessments and forecasts shall be done in consultation with the appropriate state and federal agencies including, but not limited to, the Public Utilities Commission, the Office of Ratepayer Advocates, the Air Resources Board, ~~the Electricity Oversight Board,~~ the Independent System Operator, the Department of Water Resources, ~~the California Consumer Power and Conservation Financing Authority,~~ the Department of Transportation, and the Department of Motor Vehicles.

(b) In developing the assessments and forecasts prepared pursuant to subdivision (a), the ~~commission~~ *department* shall do all of the following:

(1) Provide information about the performance of energy industries.

(2) Develop and maintain the analytical capability sufficient to answer inquiries about energy issues from government, market participants, and the public.

(3) Analyze and develop energy policies.

(4) Provide an analytical foundation for regulatory and policy decisionmaking.

(5) Facilitate efficient and reliable energy markets.

SEC. 84. Section 25302 of the Public Resources Code is amended to read:

25302. (a) Beginning November 1, 2003, and every two years thereafter, the ~~commission~~ *department* shall adopt an integrated energy policy report. This integrated report shall

contain an overview of major energy trends and issues facing the state, including, but not limited to, supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment. Energy markets and systems shall be grouped and assessed in three subsidiary volumes:

(1) Electricity and natural gas markets.

(2) Transportation fuels, technologies, and infrastructure.

(3) Public interest energy strategies.

(b) The ~~commission~~ *department* shall compile the integrated energy policy report prepared pursuant to subdivision (a) by consolidating the analyses and findings of the subsidiary volumes in paragraphs (1), (2), and (3) of subdivision (a). The integrated energy policy report shall present policy recommendations based on an indepth and integrated analysis of the most current and pressing energy issues facing the state. The analyses supporting this integrated energy policy report shall explicitly address interfuel and intermarket effects to provide a more informed evaluation of potential tradeoffs when developing energy policy across different markets and systems.

(c) The integrated energy policy report shall include an assessment and forecast of system reliability and the need for resource additions, efficiency, and conservation that considers all aspects of energy industries and markets that are essential for the state economy, general welfare, public health and safety, energy diversity, and protection of the environment. This assessment shall be based on determinations made pursuant to this chapter.

(d) Beginning November 1, 2004, and every two years thereafter, the ~~commission~~ *department* shall prepare an energy policy review to update analyses from the integrated energy policy report prepared pursuant to subdivisions (a), (b), and (c), or to raise energy issues that have emerged since the release of the integrated energy policy report. The ~~commission~~ *department* may also periodically prepare and release technical analyses and assessments of energy issues and concerns to provide timely and relevant information for the Governor, the Legislature, market participants, and the public.

(e) In preparation of the report, the ~~commission~~ *department* shall consult with the following entities: the Public Utilities Commission, the Office of Ratepayer Advocates, the State Air

Resources Board, the ~~Electricity Oversight Board~~ *Resources Agency*, the Independent System Operator, the Department of Water Resources, the California ~~Consumer Power and Conservation Financing Authority~~ *Environmental Protection Agency*, the Department of Transportation, and the Department of Motor Vehicles, and any federal, state, and local agencies it deems necessary in preparation of the integrated energy policy report. To assure collaborative development of state energy policies, these agencies shall make a good faith effort to provide data, assessment, and proposed recommendations for review by the ~~commission~~ *department*.

(f) The ~~commission~~ *department* shall provide the report to the Public Utilities Commission, the Office of Ratepayer Advocates, the State Air Resources Board, ~~the Electricity Oversight Board,~~ the Independent System Operator, the Department of Water Resources, the ~~California Consumer Power and Conservation Financing Authority~~ *Resources Agency, the California Environmental Protection Agency*, and the Department of Transportation. For the purpose of ensuring consistency in the underlying information that forms the foundation of energy policies and decisions affecting the state, those entities shall carry out their energy-related duties and responsibilities based upon the information and analyses contained in the report. If an entity listed in this subdivision objects to information contained in the report, and has a reasonable basis for that objection, the entity shall not be required to consider that information in carrying out its energy-related duties.

(g) The ~~commission~~ *department* shall make the report accessible to state, local, and federal entities and to the general public.

SEC. 85. Section 25303 of the Public Resources Code is amended to read:

25303. (a) The ~~commission~~ *department* shall conduct electricity and natural gas forecasting and assessment activities to meet the requirements of paragraph (1) of subdivision (a) of Section 25302, including, but not limited to, all of the following:

(1) Assessment of trends in electricity and natural gas supply and demand, and the outlook for wholesale and retail prices for commodity electricity and natural gas under current market structures and expected market conditions.

(2) Forecasts of statewide and regional electricity and natural gas demand including annual, seasonal, and peak demand, and the factors leading to projected demand growth including, but not limited to, projected population growth, urban development, industrial expansion and energy intensity of industries, energy demand for different building types, energy efficiency, and other factors influencing demand for electricity. With respect to long-range forecasts of the demand for natural gas, the report shall include an evaluation of average conditions, as well as best and worst case scenarios, and an evaluation of the impact of the increasing use of renewable resources on natural gas demand.

(3) Evaluation of the adequacy of electricity and natural gas supplies to meet forecasted demand growth. Assessment of the availability, reliability, and efficiency of the electricity and natural gas infrastructure and systems including, but not limited to, natural gas production capability both in and out of state, natural gas interstate and intrastate pipeline capacity, storage and use, and western regional and California electricity and transmission system capacity and use.

(4) Evaluation of potential impacts of electricity and natural gas supply, demand, and infrastructure and resource additions on the electricity and natural gas systems, public health and safety, the economy, resources, and the environment.

(5) Evaluation of the potential impacts of electricity and natural gas load management efforts, including end user response to market price signals, as a means to ensure reliable operation of electricity and natural gas systems.

(6) Evaluation of whether electricity and natural gas markets are adequately meeting public interest objectives including the provision of all of the following: economic benefits; competitive, low-cost reliable services; customer information and protection; and environmentally sensitive electricity and natural gas supplies. This evaluation may consider the extent to which California is an element within western energy markets, the existence of appropriate incentives for market participants to provide supplies and for consumers to respond to energy prices, appropriate identification of responsibilities of various market participants, and an assessment of long-term versus short-term market performance. To the extent this evaluation identifies

market shortcomings, the ~~commission~~ *department* shall propose market structure changes to improve performance.

(7) Identification of impending or potential problems or uncertainties in the electricity and natural gas markets, potential options and solutions, and recommendations.

(b) Commencing November 1, 2003, and every two years thereafter, to be included in the integrated energy policy report prepared pursuant to Section 25302, the ~~commission~~ *department* shall assess the current status of the following:

(1) The environmental performance of the electric generation facilities of the state, to include all of the following:

(A) Generation facility efficiency.

(B) Air emission control technologies in use in operating plants.

(C) The extent to which recent resource additions have, and expected resource additions are likely to, displace or reduce the operation of existing facilities, including the environmental consequences of these changes.

(2) The geographic distribution of statewide environmental, efficiency, and socioeconomic benefits and drawbacks of existing generation facilities, including, but not limited to, the impacts on natural resources including wildlife habitat, air quality, and water resources, and the relationship to demographic factors. The assessment shall describe the socioeconomic and demographic factors that existed when the facilities were constructed and the current status of these factors. In addition, the report shall include how expected or recent resource additions could change the assessment through displaced or reduced operation of existing facilities.

SEC. 86. Section 25304 of the Public Resources Code is amended to read:

25304. The ~~commission~~ *department* shall conduct transportation forecasting and assessment activities to meet the requirements of paragraph (2) of subdivision (a) of Section 25302 including, but not limited to:

(a) Assessment of trends in transportation fuels, technologies, and infrastructure supply and demand and the outlook for wholesale and retail prices for petroleum, petroleum products, and alternative transportation fuels under current market structures and expected market conditions.

(b) Forecasts of statewide and regional transportation energy demand, both annual and seasonal, and the factors leading to projected demand growth including, but not limited to, projected population growth, urban development, vehicle miles traveled, the type, class, and efficiency of personal vehicles and commercial fleets, and shifts in transportation modes.

(c) Evaluation of the sufficiency of transportation fuel supplies, technologies, and infrastructure to meet projected transportation demand growth. Assessment of crude oil and other transportation fuel feedstock supplies; in-state, national, and worldwide production and refining capacity; product output storage availability; and transportation and distribution systems capacity and use.

(d) Assessments of the risks of supply disruptions, price shocks, or other events and the consequences of these events on the availability and price of transportation fuels and effects on the state's economy.

(e) Evaluation of the potential for needed changes in the state's energy shortage contingency plans to increase production and productivity, improve efficiency of fuel use, increase conservation of resources, and other actions to maintain sufficient, secure, and affordable transportation fuel supplies for the state.

(f) Evaluation of alternative transportation energy scenarios, in the context of least environmental and economic costs, to examine potential effects of alternative fuels usage, vehicle efficiency improvements, and shifts in transportation modes on public health and safety, the economy, resources, the environment, and energy security.

(g) Examination of the success of introduction, prices, and availability of advanced transportation technologies, low- or zero-emission vehicles, and clean-burning transportation fuels, including their potential future contributions to air quality, energy security, and other public interest benefits.

(h) Recommendations to improve the efficiency of transportation energy use, reduce dependence on petroleum fuels, decrease environmental impacts from transportation energy use, and contribute to reducing congestion, promoting economic development, and enhancing energy diversity and security.

SEC. 87. Section 25305 of the Public Resources Code is amended to read:

25305. The ~~commission~~ *department* shall rely upon forecasting and assessments performed in accordance with Sections 25301 to 25304, inclusive, as the basis for analyzing the success of and developing policy recommendations for public interest energy strategies. Public interest energy strategies include, but are not limited to, achieving energy efficiency and energy conservation; implementing load management; pursuing research, development, demonstration, and commercialization of new technologies; promoting renewable generation technologies; reducing statewide greenhouse gas emissions and addressing the impacts of climate change on California; stimulating California's energy-related business activities to contribute to the state's economy; and protecting and enhancing the environment. Additional assessments to address public interest energy strategies shall include, but are not limited to, all of the following:

(a) Identification of emerging trends in energy efficiency in the residential, commercial, industrial, agricultural, and transportation sectors of the state's economy, including, but not limited to, evaluation of additional achievable energy efficiency measures and technologies. Identification of policies that would permit fuller realization of the potential for energy efficiency, either through direct programmatic actions or facilitation of the market.

(b) Identification of emerging trends in the renewable energy industry. In addition, the ~~commission~~ *department* shall evaluate progress in ensuring the operation of existing facilities, and the development of new and emerging, in-state renewable resources.

(c) Identification of emerging trends in energy research, development, and demonstration activities that advance science or technology to produce public benefits.

(d) Identification of progress in reducing statewide greenhouse gas emissions and addressing the effects of climate change on California.

SEC. 88. Section 25305.5 of the Public Resources Code is amended to read:

25305.5. The ~~commission~~ *department* shall include in its report prepared pursuant to Sections 25301 to 25304, inclusive, a

description of international energy market prospects and an evaluation of its export promotion activities, as well as an assessment of the state of the California energy technology and energy conservation industry's efforts to enter foreign markets. The report shall also include recommendations for state government initiatives to foster the California energy technology and energy conservation industry's competition in world markets.

SEC. 89. Section 25306 of the Public Resources Code is amended to read:

25306. The ~~commission~~ *department* shall conduct workshops, hearings, and other forums to gain the perspectives of the public and market participants for purposes of the integrated energy policy report prepared pursuant to Section 25302 and the forecasting and assessments prepared pursuant to Sections 25301, 25303, 25304, and 25305. The ~~commission~~ *department* shall include the comments, as well as responses to those comments, of governmental agencies, industry representatives, market participants, private groups, and any other person concerning the commission's proposals and recommendations in the docket for the integrated energy policy report.

SEC. 90. Section 25320 of the Public Resources Code is amended to read:

25320. (a) The ~~commission~~ *department* shall manage a data collection system for obtaining information necessary to develop the policy reports and analyses required by Sections 25301 to 25307, inclusive, the energy shortage contingency planning efforts in Chapter 8 (commencing with Section 25700), and to support other duties of the ~~commission~~ *department*.

(b) The data collection system, adopted by regulation under Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and managed by the ~~commission~~ *department* shall:

(1) Include a timetable for the submission of this information, so that the integrated energy policy report required by Section 25302 can be completed in an accurate and timely manner.

(2) Require a person to submit only information that is reasonably relevant, and that the person can either be expected to acquire through his or her market activities, or possesses or controls. Information collected pursuant to this section shall

relate to the functional role of each category of market participant in that industry and the consumers within that industry.

(3) To the extent it satisfies the information needs of the ~~commission~~ *department*, rely on the use of estimates and proxies, to the maximum extent practicable, for some data elements using survey and research techniques, while for other information it shall obtain data from market participants using submissions consistent with their accounting records. In determining whether to rely upon estimates or participant provided data, the ~~commission~~ *department* shall weigh the burden of compliance upon industry participants and energy consumers against the benefit of participant provided data for the public interest.

(4) To the extent it satisfies the information needs of the ~~commission~~ *department*, rely on data, to the maximum extent practicable, that is reported to other government agencies or is otherwise available to the ~~commission~~ *department*.

(c) Pursuant to the requirements of subdivision (b), the data collection system for electricity and natural gas shall enumerate specific requirements for each category of market participants, including, but not limited to, private market participants, energy service providers, energy service companies, natural gas marketers, electric utility and natural gas utility companies, independent generators, electric transmission entities, natural gas producers, natural gas pipeline operators, importers and exporters of electricity and natural gas, and specialized electric or natural gas system operators. The ~~commission~~ *department* may also collect information about consumers' natural gas and electricity use from their voluntary participation in surveys and other research techniques.

(d) Pursuant to the requirements of subdivision (b), the data collection system for nonpetroleum fuels and transportation technologies shall enumerate specific requirements for each category of market participant, including, but not limited to, fuel importers and exporters, fuel distributors and retailers, fuel pipeline operators, natural gas liquid producers, and transportation technology providers. The ~~commission~~ *department* may also collect information about consumers' nonpetroleum fuel and transportation technology use from their voluntary participation in surveys and other research techniques.

(e) The ~~commission~~ *department* shall collect data for petroleum fuel pursuant to Chapter 4.5 (commencing with Section 25350). The ~~commission~~ *department* may also collect information about consumers' petroleum fuel use from consumers' participation in surveys and other research techniques.

SEC. 91. Section 25321 of the Public Resources Code is amended to read:

25321. In order to ensure timely and accurate compliance with the data collection system adopted under Section 25320, the ~~commission~~ *department* may use any of the following enforcement measures:

(a) If any person fails to comply with an applicable provision of the data collection system, the ~~commission~~ *department* shall notify the person. If, after five working days from being notified of the violation, the person continues to fail to comply, the person shall be subject to a civil penalty, to be imposed by the ~~commission~~ *department* after a hearing that complies with constitutional requirements.

(1) The civil penalty shall not be less than five hundred dollars ($500) nor more than two thousand dollars ($2,000) for each category of data the person did not provide and for each day the violation has existed and continues to exist.

(2) In the case of a person who willfully makes any false statement, representation, or certification in any record, report, plan, or other document filed with the ~~commission~~ *department*, the civil penalty shall not be less than five hundred dollars ($500) nor more than two thousand dollars ($2,000) per day applied to each day in the interval between the original due date and the date when corrected information is submitted.

(b) For the purposes of this section, "person" means, in addition to the definition contained in Section 25116, any responsible corporate officer.

(c) Enforcement measures for petroleum and other fuels shall be those contained in Section 25362.

SEC. 92. Section 25322 of the Public Resources Code is amended to read:

25322. (a) The data collection system managed pursuant to Section 25320 shall include the following requirements regarding

the confidentiality of the information collected by the ~~commission~~ *department*:

(1) Any person required to present information to the ~~commission~~ *department* pursuant to this section may request that specific information be held in confidence. The ~~commission~~ *department* shall grant the request in any of the following circumstances:

(A) The information is exempt from disclosure under the California Public Records Act, Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

(B) The information satisfies the confidentiality requirements of Article 2 (commencing with Section 2501) of Chapter 7 of Division 2 of Title 20 of the California Code of Regulations, as those regulations existed on January 1, 2002.

(C) On the facts of the particular case, the public interest served by not disclosing the information clearly outweighs the public interest served by disclosure of the information.

(2) The ~~commission~~ *department* may, by regulation, designate certain categories of information as confidential, which removes the obligation to request confidentiality for that information.

(3) Any confidential information pertinent to the responsibilities of the ~~commission~~ *department* specified in this chapter that is obtained by another state agency, or the California Independent System Operator or its successor, shall be available to the ~~commission~~ *department* and shall be treated in a confidential manner.

(4) Information presented to or developed by the ~~commission~~ *department* and deemed confidential pursuant to this section shall be held in confidence by the ~~commission~~ *department*. Confidential information shall be aggregated or masked to the extent necessary to assure confidentiality if public disclosure of the specific information would result in an unfair competitive disadvantage to the person supplying the information.

(b) Requests for records of information shall be handled as follows:

(1) If the ~~commission~~ *department* receives a written request to publicly disclose information that is being held in confidence pursuant to paragraph (1) or (2) of subdivision (a), the ~~commission~~ *department* shall provide the person making the

request with written justification for the confidential designation and a description of the process to seek disclosure.

(2) If the ~~commission~~ *department* receives a written request to publicly disclose a disaggregated or unmasked record of information designated as confidential under paragraph (1) or (2) of subdivision (a), notice of the request shall be provided to the person that submitted the record. Upon receipt of the notice, the person that submitted the record may, within five working days of receipt of the notice, provide a written justification of the claim of confidentiality.

(3) The ~~commission~~ *department* or its designee shall rule on a request made pursuant to paragraph (2) on or before 20 working days after its receipt. The ~~commission~~ *department* shall deny the request if the disclosure will result in an unfair competitive disadvantage to the person that submitted the information.

(4) If the ~~commission~~ *department* grants the request pursuant to paragraph (3), it shall withhold disclosure for a reasonable amount of time, not to exceed 14 working days, to allow the submitter of the information to seek judicial review.

(c) No information submitted to the ~~commission~~ *department* pursuant to this section is confidential if the person submitting the information has made it public.

(d) The ~~commission~~ *department* shall establish, maintain, and use appropriate security practices and procedures to ensure that the information it has designated as confidential, or received with a confidential designation from another government agency, is protected against disclosure other than that authorized using the procedures in subdivision (b). The ~~commission~~ *department* shall incorporate the following elements into its security practices and procedures:

(1) ~~Commission~~ *Department* employees shall sign a confidential data disclosure agreement providing for various remedies, including, but not limited to, fines and termination for wrongful disclosure of confidential information.

(2) ~~Commission~~ *Department* employees, or contract employees of the ~~commission~~ *department*, shall only have access to confidential information when it is appropriate to their job assignments and if they have signed a nondisclosure agreement.

(3) Computer data systems that hold confidential information shall include sufficient security measures to protect the data from

inadvertent or wrongful access by unauthorized ~~commission~~ *department* employees and the public.

(e) Data collected by the ~~commission~~ *department* on petroleum fuels in Section 25320 shall be subject to the confidentiality provisions of Sections 25364 to 25366, inclusive.

SEC. 93. Section 25323 of the Public Resources Code is amended to read:

25323. Nothing in this division shall authorize the ~~commission~~ *department* in the performance of its analytical, planning, siting, or certification responsibilities to mandate a specified supply plan for any utility.

SEC. 94. Section 25324 of the Public Resources Code is amended to read:

25324. The ~~commission~~ *department*, in consultation with the Public Utilities Commission, the California Independent System Operator, transmission owners, users, and consumers, shall adopt a strategic plan for the state's electric transmission grid using existing resources. The strategic plan shall identify and recommend actions required to implement investments needed to ensure reliability, relieve congestion, and meet future growth in load and generation, including, but not limited to, renewable resources, energy efficiency, and other demand reduction measures. The plan shall be included in the integrated energy policy report adopted on November 1, 2005, pursuant to subdivision (a) of Section 25302.

SEC. 95. Section 25354 of the Public Resources Code is amended to read:

25354. (a) Each refiner and major marketer shall submit information each month to the ~~commission~~ *department* in ~~such~~ *the* form and extent as the ~~commission~~ *department* prescribes pursuant to this section. The information shall be submitted within 30 days after the end of each monthly reporting period and shall include the following:

(1) Refiners shall report, for each of their refineries, feedstock inputs, origin of petroleum receipts, imports of finished petroleum products and blendstocks, by type, including the source of those imports, exports of finished petroleum products and blendstocks, by type, including the destination of those exports, refinery outputs, refinery stocks, and finished product

supply and distribution, including all gasoline sold unbranded by the refiner, blender, or importer.

(2) Major marketers shall report on petroleum product receipts and the sources of these receipts, inventories of finished petroleum products and blendstocks, by type, distributions through branded and unbranded distribution networks, and exports of finished petroleum products and blendstocks, by type, from the state.

(b) Each major oil producer, refiner, marketer, oil transporter, and oil storer shall annually submit information to the ~~commission~~ *department* in ~~such~~ *the* form and extent as the ~~commission~~ *department* prescribes pursuant to this section. The information shall be submitted within 30 days after the end of each reporting period, and shall include the following:

(1) Major oil transporters shall report on petroleum by reporting the capacities of each major transportation system, the amount transported by each system, and inventories thereof. The ~~commission~~ *department* may prescribe rules and regulations that exclude pipeline and transportation modes operated entirely on property owned by major oil transporters from the reporting requirements of this section if the data or information is not needed to fulfill the purposes of this chapter. The provision of the information shall not be construed to increase or decrease any authority the Public Utilities Commission may otherwise have.

(2) Major oil storers shall report on storage capacity, inventories, receipts and distributions, and methods of transportation of receipts and distributions.

(3) Major oil producers shall, with respect to thermally enhanced oil recovery operations, report annually by designated oil field, the monthly use, as fuel, of crude oil and natural gas.

(4) Refiners shall report on facility capacity, and utilization and method of transportation of refinery receipts and distributions.

(5) Major oil marketers shall report on facility capacity and methods of transportation of receipts and distributions.

(c) Each person required to report pursuant to subdivision (a) shall submit a projection each month of the information to be submitted pursuant to subdivision (a) for the quarter following the month in which the information is submitted to the ~~commission~~ *department*.

(d) In addition to the data required under subdivision (a), each integrated oil refiner (produces, refines, transports, and markets in interstate commerce) who supplies more than 500 branded retail outlets in California shall submit to the ~~commission~~ *department* an annual industry forecast for Petroleum Administration for Defense, District V (covering Arizona, Nevada, Washington, Oregon, California, Alaska, and Hawaii). The forecast shall include the information to be submitted under subdivision (a), and shall be submitted by March 15 of each year. The ~~commission~~ *department* may require California-specific forecasts. However, those forecasts shall be required only if the ~~commission~~ *department* finds them necessary to carry out its responsibilities.

(e) The ~~commission~~ *department* may by order or regulation modify the reporting period as to any individual item of information setting forth in the order or regulation its reason for so doing.

(f) The ~~commission~~ *department* may request additional information as necessary to perform its responsibilities under this chapter.

(g) Any person required to submit information or data under this chapter, in lieu thereof, may submit a report made to any other governmental agency, if:

(1) The alternate report or reports contain all of the information or data required by specific request under this chapter.

(2) The person clearly identifies the specific request to which the alternate report is responsive.

(h) Each refiner shall submit to the ~~commission~~ *department*, within 30 days after the end of each monthly reporting period, all of the following information in such form and extent as the ~~commission~~ *department* prescribes:

(1) Monthly California weighted average prices and sales volumes of finished leaded regular, unleaded regular, and premium motor gasoline sold through company-operated retail outlets, to other end-users, and to wholesale customers.

(2) Monthly California weighted average prices and sales volumes for residential sales, commercial and institutional sales, industrial sales, sales through company-operated retail outlets,

sales to other end-users, and wholesale sales of No. 2 diesel fuel and No. 2 fuel oil.

(3) Monthly California weighted average prices and sales volumes for retail sales and wholesale sales of No. 1 distillate, kerosene, finished aviation gasoline, kerosene-type jet fuel, No. 4 fuel oil, residual fuel oil with 1 percent or less sulfur, residual fuel oil with greater than 1 percent sulfur and consumer grade propane.

(i) (1) Beginning the first week after the effective date of the act that added this subdivision, and each week thereafter, an oil refiner, oil producer, petroleum product transporter, petroleum product marketer, petroleum product pipeline operator, and terminal operator, as designated by the ~~commission~~ *department*, shall submit a report in the form and extent as the ~~commission~~ *department* prescribes pursuant to this section. The ~~commission~~ *department* may determine the form and extent necessary by order or by regulation.

(2) A report may include any of the following information:

(A) Receipts and inventory levels of crude oil and petroleum products at each refinery and terminal location.

(B) Amount of gasoline, diesel, jet fuel, blending components, and other petroleum products imported and exported.

(C) Amount of gasoline, diesel, jet fuel, blending components, and other petroleum products transported intrastate by marine vessel.

(D) Amount of crude oil imported, including information identifying the source of the crude oil.

(E) The regional average of invoiced retailer buying price. This subparagraph does not either preclude or augment the current authority of the ~~commission~~ *department* to collect additional data under subdivision (f).

(3) This subdivision is intended to clarify the ~~commission's~~ *department's* existing authority under subdivision (f) to collect specific information. This subdivision does not either preclude or augment the existing authority of the ~~commission~~ *department* to collect information.

SEC. 96. Section 25356 of the Public Resources Code is amended to read:

25356. (a) The ~~commission~~ *department*, utilizing its own staff and other support staff having expertise and experience in,

or with, the petroleum industry, shall gather, analyze, and interpret the information submitted to it pursuant to Section 25354 and other information relating to the supply and price of petroleum products, with particular emphasis on motor vehicle fuels, including, but not limited to, all of the following:

(1) The nature, cause, and extent of any petroleum or petroleum products shortage or condition affecting supply.

(2) The economic and environmental impacts of any petroleum and petroleum product shortage or condition affecting supply.

(3) Petroleum or petroleum product demand and supply forecasting methodologies utilized by the petroleum industry in California.

(4) The prices, with particular emphasis on retail motor fuel prices, including sales to unbranded retail markets, and any significant changes in prices charged by the petroleum industry for petroleum or petroleum products sold in California and the reasons for those changes.

(5) The profits, both before and after taxes, of the industry as a whole and of major firms within it, including a comparison with other major industry groups and major firms within them as to profits, return on equity and capital, and price-earnings ratio.

(6) The emerging trends relating to supply, demand, and conservation of petroleum and petroleum products.

(7) The nature and extent of efforts of the petroleum industry to expand refinery capacity and to make acquisitions of additional supplies of petroleum and petroleum products, including activities relative to the exploration, development, and extraction of resources within the state.

(8) The development of a petroleum and petroleum products information system in a manner that will enable the state to take action to meet and mitigate any petroleum or petroleum products shortage or condition affecting supply.

(b) The ~~commission~~ *department* shall analyze the impacts of state and federal policies and regulations upon the supply and pricing of petroleum products.

SEC. 97. Section 25357 of the Public Resources Code is amended to read:

25357. The ~~commission~~ *department* shall obtain and analyze monthly production reports prepared by the State Oil and Gas Supervisor pursuant to Section 3227.

SEC. 98. Section 25358 of the Public Resources Code is amended to read:

25358. (a) Within 70 days after the end of each preceding quarter of each calendar year, the ~~commission~~ *department* shall publish and submit to the Governor and the Legislature a summary, an analysis, and an interpretation of the information submitted to it pursuant to Section 25354 and information reviewed pursuant to Section 25357. This report shall be separate from the report submitted pursuant to Section 25322. Any person may submit comments in writing regarding the accuracy or sufficiency of the information submitted.

(b) The ~~commission~~ *department* shall prepare a biennial assessment of the information provided pursuant to this chapter and shall include its assessment in the biennial fuels report prepared pursuant to Section 25310.

(c) The ~~commission~~ *department* may use reasonable means necessary and available to it to seek and obtain any facts, figures, and other information from any source for the purpose of preparing and providing reports to the Governor and the Legislature. The ~~commission~~ *department* shall specifically include in the reports its analysis of any unsuccessful attempts in obtaining information from potential sources, including the lack of cooperation or refusal to provide information.

(d) Whenever the ~~commission~~ *department* fails to provide any report required pursuant to this section within the specified time, it shall provide to all members of the Legislature, within five days of the specified time, a detailed written explanation of the cause of any delay.

SEC. 99. Section 25362 of the Public Resources Code is amended to read:

25362. (a) The ~~commission~~ *department* shall notify those persons who have failed to timely provide the information specified in Section 25354. If, within five days after being notified of the failure to provide the specified information, the person fails to supply the specified information, the person shall be subject to a civil penalty of not less than five hundred dollars ($500) nor more than two thousand dollars ($2,000) per day for

each day the submission of information is refused or delayed, unless the person has timely filed objections with the ~~commission~~ *department* regarding the information and the ~~commission~~ *department* has not yet held a hearing on the matter, or the ~~commission~~ *department* has held a hearing and the person has properly submitted the issue to a court of competent jurisdiction for review.

(b) Any person who willfully makes any false statement, representation, or certification in any record, report, plan, or other document filed with the ~~commission~~ *department* shall be subject to a civil penalty not to exceed two thousand dollars ($2,000).

(c) For the purposes of this section, the term "person" shall mean, in addition to the definition contained in Section 25116, any responsible corporate officer.

SEC. 100. Section 25364 of the Public Resources Code is amended to read:

25364. (a) Any person required to present information to the ~~commission~~ *department* pursuant to Section 25354 may request that specific information be held in confidence. Information requested to be held in confidence shall be presumed to be confidential.

(b) Information presented to the ~~commission~~ *department* pursuant to Section 25354 shall be held in confidence by the ~~commission~~ *department* or aggregated to the extent necessary to assure confidentiality if public disclosure of the specific information or data would result in unfair competitive disadvantage to the person supplying the information.

(c) (1) Whenever the ~~commission~~ *department* receives a request to publicly disclose unaggregated information, or otherwise proposes to publicly disclose information submitted pursuant to Section 25354, notice of the request or proposal shall be provided to the person submitting the information. The notice shall indicate the form in which the information is to be released. Upon receipt of notice, the person submitting the information shall have 10 working days in which to respond to the notice to justify the claim of confidentiality on each specific item of information covered by the notice on the basis that public disclosure of the specific information would result in unfair

competitive disadvantage to the person supplying the information.

(2) The ~~commission~~ *department* shall consider the respondent's submittal in determining whether to publicly disclose the information submitted to it to which a claim of confidentiality is made. The ~~commission~~ *department* shall issue a written decision which sets forth its reasons for making the determination whether each item of information for which a claim of confidentiality is made shall remain confidential or shall be publicly disclosed.

(d) The ~~commission~~ *department* shall not make public disclosure of information submitted to it pursuant to Section 25354 within 10 working days after the ~~commission~~ *department* has issued its written decision required in this section.

(e) No information submitted to the ~~commission~~ *department* pursuant to Section 25354 shall be deemed confidential if the person submitting the information or data has made it public.

(f) With respect to petroleum products and blendstocks reported by type pursuant to paragraph (1) or (2) of subdivision (a) of Section 25354 and information provided pursuant to subdivision (h) or (i) of Section 25354, neither the ~~commission~~ *department* nor any employee of the ~~commission~~ *department* may do any of the following:

(1) Use the information furnished under paragraph (1) or (2) of subdivision (a) of Section 25354 or under subdivision (h) or (i) of Section 25354 for any purpose other than the statistical purposes for which it is supplied.

(2) Make any publication whereby the information furnished by any particular establishment or individual under paragraph (1) or (2) of subdivision (a) of Section 25354 or under subdivision (h) or (i) of Section 25354 can be identified.

(3) Permit anyone other than ~~commission~~ *department* members and employees of the ~~commission~~ *department* to examine the individual reports provided under paragraph (1) or (2) of subdivision (a) of Section 25354 or under subdivision (h) or (i) of Section 25354.

(g) Notwithstanding any other provision of law, the ~~commission~~ *department* may disclose confidential information received pursuant to subdivision (a) of Section 25304 or Section 25354 to the State Air Resources Board if the state board agrees

to keep the information confidential. With respect to the information it receives, the state board shall be subject to all pertinent provisions of this section.

SEC. 101. Section 25366 of the Public Resources Code is amended to read:

25366. Any confidential information pertinent to the responsibilities of the ~~commission~~ *department* specified in this division which is obtained by another state agency shall be available to the ~~commission~~ *department* and shall be treated in a confidential manner.

SEC. 102. Section 25400 of the Public Resources Code is amended to read:

25400. The ~~commission~~ *department* shall conduct an ongoing assessment of the opportunities and constraints presented by all forms of energy. The ~~commission~~ *department* shall encourage the balanced use of all sources of energy to meet the state's needs and shall seek to avoid possible undesirable consequences of reliance on a single source of energy.

SEC. 103. Section 25401 of the Public Resources Code is amended to read:

25401. The ~~commission~~ *department* shall continuously carry out studies, research projects, data collection, and other activities required to assess the nature, extent, and distribution of energy resources to meet the needs of the state, including but not limited to, fossil fuels and solar, nuclear, and geothermal energy resources. It shall also carry out studies, technical assessments, research projects, and data collection directed to reducing wasteful, inefficient, unnecessary, or uneconomic uses of energy, including, but not limited to, all of the following:

(a) Pricing of electricity and other forms of energy.

(b) Improved building design and insulation.

(c) Restriction of promotional activities designed to increase the use of electrical energy by consumers.

(d) Improved appliance efficiency.

(e) Advances in power generation and transmission technology.

(f) Comparisons in the efficiencies of alternative methods of energy utilization.

The ~~commission~~ *department* shall survey pursuant to this section all forms of energy on which to base its recommendations

to the Governor and Legislature for elimination of waste or increases in efficiency for sources or uses of energy. The ~~commission~~ *department* shall transmit to the Governor and the Legislature, as part of the biennial report specified in Section 25309, recommendations for state policy and actions for the orderly development of all potential sources of energy to meet the state's needs, including, but not limited to, fossil fuels and solar, nuclear, and geothermal energy resources, and to reduce wasteful and inefficient uses of energy.

SEC. 104. Section 25401.2 of the Public Resources Code is amended to read:

25401.2. (a) As part of the report required by Section 25302, the ~~commission~~ *department* shall develop and update an inventory of current and potential cost-effective opportunities in each utility's service territory, to improve efficiencies and to help utilities manage loads in all sectors of natural gas and electricity use. The report shall include estimates of the overall magnitude of these resources, load shapes, and the projected costs associated with delivering the various types of energy savings that are identified in the inventory. The report shall also estimate the amount and incremental cost per unit of potential energy efficiency and load management activities. Where applicable, the inventory shall include data on variations in savings and costs associated with particular measures. The report shall take into consideration environmental benefits as developed in related ~~commission~~ *department* and ~~public utilities commission~~ *Public Utilities Commission* proceedings.

(b) The ~~commission~~ *department* shall develop and maintain the inventory in consultation with electric and gas utilities, the Public Utilities Commission, academic institutions, and other interested parties.

(c) The ~~commission~~ *department* shall convene a technical advisory group to develop an analytic framework for the inventory, to discuss the level of detail at which the inventory would operate, and to ensure that the inventory is consistent with other demand-side databases. Privately owned electric and gas utilities shall provide financial support, gather data, and provide analysis for activities that the technical advisory group recommends. The technical advisory group shall terminate on January 1, 1993.

SEC. 105. Section 25401.5 of the Public Resources Code is amended to read:

25401.5. For the purpose of reducing electrical and natural gas energy consumption, the ~~commission~~ *department* may develop and disseminate measures that would enhance energy efficiency for single-family residential dwellings that were built prior to the development of the current energy efficiency standards. The measures, if developed and disseminated, shall provide a homeowner with information to improve the energy efficiency of a single-family residential dwelling. The ~~commission~~ *department* may comply with this section by posting the measures on the commission's Internet Web site or by making the measures available to the public, upon request.

SEC. 106. Section 25401.6 of the Public Resources Code is amended to read:

25401.6. (a) In its administration of Section 25744, the ~~commission~~ *department* shall establish a separate rebate for eligible distributed emerging technologies for affordable housing projects including, but not limited to, projects undertaken pursuant to Section 50052.5, 50053, or 50199.4 of the Health and Safety Code. In establishing the rebate, where the ~~commission~~ *department* determines that the occupants of the housing shall have individual meters, the ~~commission~~ *department* may adjust the amount of the rebate based on the capacity of the system, provided that a system may receive a rebate only up to 75 percent of the total installed costs. The ~~commission~~ *department* may establish a reasonable limit on the total amount of funds dedicated for purposes of this section.

(b) It is the intent of the Legislature that this section fulfills the purpose of paragraph (5) of subdivision (b) of Section 25744.

SEC. 107. Section 25401.7 of the Public Resources Code is amended to read:

25401.7. At the time a single-family residential dwelling is sold, a buyer or seller may request a home inspection, as defined in subdivision (a) of Section 7195 of the Business and Professions Code, and a home inspector, as defined in subdivision (d) of Section 7195 of the Business and Professions Code, shall provide, contact information for one or more of the following entities that provide home energy information:

(a) A nonprofit organization.

(b) A provider to the residential dwelling of electrical service, or gas service, or both.

(c) A government agency, including, but not limited to, the ~~commission~~ *department*.

SEC. 108. Section 25402 of the Public Resources Code is amended to read:

25402. The commission*, with staff support from the department,* shall, after one or more public hearings, do all of the following, in order to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy:

(a) Prescribe, by regulation, lighting, insulation climate control system, and other building design and construction standards that increase the efficiency in the use of energy for new residential and new nonresidential buildings. The standards shall be cost effective, when taken in their entirety, and when amortized over the economic life of the structure when compared with historic practice. The commission shall periodically update the standards and adopt any revision that, in its judgment, it deems necessary. Six months after the commission certifies an energy conservation manual pursuant to subdivision (c) of Section 25402.1, no city, county, city and county, or state agency shall issue a permit for any building unless the building satisfies the standards prescribed by the commission pursuant to this subdivision or subdivision (b) of this section that are in effect on the date an application for a building permit is filed.

(b) Prescribe, by regulation, energy conservation design standards for new residential and new nonresidential buildings. The standards shall be performance standards and shall be promulgated in terms of energy consumption per gross square foot of floorspace, but may also include devices, systems, and techniques required to conserve energy. The standards shall be cost effective when taken in their entirety, and when amortized over the economic life of the structure when compared with historic practices. The commission shall periodically review the standards and adopt any revision that, in its judgment, it deems necessary. A building that satisfies the standards prescribed pursuant to this subdivision need not comply with the standards prescribed pursuant to subdivision (a). The commission shall comply with this subdivision before January 1, 1981.

(c) (1) Prescribe, by regulation, standards for minimum levels of operating efficiency, based on a reasonable use pattern, and may prescribe other cost effective measures, including incentive programs, fleet averaging, energy consumption labeling not preempted by federal labeling, and consumer education programs, to promote the use of energy efficient appliances whose use, as determined by the commission, requires a significant amount of energy on a statewide basis. The minimum levels of operating efficiency shall be based on feasible and attainable efficiencies or feasible improved efficiencies that will reduce the electrical energy consumption growth rate. The standards shall become effective no sooner than one year after the date of adoption or revision. No new appliance manufactured on or after the effective date of the standards may be sold or offered for sale in the state, unless it is certified by the manufacturer thereof to be in compliance with the standards. The standards shall be drawn so that they do not result in any added total costs to the consumer over the designed life of the appliances concerned.

(2) No new appliance, except for any plumbing fitting, regulated under paragraph (1), which is manufactured on or after July 1, 1984, may be sold, or offered for sale, in the state, unless the date of the manufacture is permanently displayed in an accessible place on that appliance.

(3) During the period of five years after the commission has adopted a standard for a particular appliance under paragraph (1), no increase or decrease in the minimum level of operating efficiency required by the standard for that appliance shall become effective, unless the commission adopts other cost-effective measures for that appliance.

(4) Neither the commission nor any other state agency shall take any action to decrease any standard adopted under this subdivision on or before June 30, 1985, prescribing minimum levels of operating efficiency or other energy conservation measures for any appliance, unless the commission finds by a four-fifths vote that a decrease is of benefit to ratepayers, and that there is significant evidence of changed circumstances. Prior to January 1, 1986, the commission shall not take any action to increase any standard prescribing minimum levels of operating efficiency for any appliance or adopt any new standard under

paragraph (1). Prior to January 1, 1986, any appliance manufacturer doing business in this state shall provide directly, or through an appropriate trade or industry association, information, as specified by the commission after consultation with manufacturers doing business in the state and appropriate trade or industry associations on sales of appliances so that the commission may study the effects of regulations on those sales. These informational requirements shall remain in effect until the information is received. The trade or industry association may submit sales information in an aggregated form in a manner that allows the commission to carry out the purposes of the study. The commission shall treat any sales information of an individual manufacturer as confidential and that information shall not be a public record. The commission shall not request any information that cannot be reasonably produced in the exercise of due diligence by the manufacturer. At least one year prior to the adoption or amendment of a standard for an appliance, the commission shall notify the Legislature of its intent, and the justification therefor, to adopt or amend a standard for the appliance. Notwithstanding paragraph (3) and this paragraph, the commission may do any of the following:

(A) Increase the minimum level of operating efficiency in an existing standard up to the level of the National Voluntary Consensus Standards 90, adopted by the American Society of Heating, Refrigeration, and Air Conditioning Engineers or, for appliances not covered by that standard, up to the level established in a similar nationwide consensus standard.

(B) Change the measure or rating of efficiency of any standard, if the minimum level of operating efficiency remains substantially the same.

(C) Adjust the minimum level of operating efficiency in an existing standard in order to reflect changes in test procedures that the standards require manufacturers to use in certifying compliance, if the minimum level of operating efficiency remains substantially the same.

(D) Readopt a standard preempted, enjoined, or otherwise found legally defective by an administrative agency or a lower court, if final legal action determines that the standard is valid and if the standard that is readopted is not more stringent than the standard that was found to be defective or preempted.

(E) Adopt or amend any existing or new standard at any level of operating efficiency, if the Governor has declared an energy emergency pursuant to Section 8558 of the Government Code.

(5) Notwithstanding paragraph (4), the commission may adopt standards pursuant to commission order No. 84-0111-1, on or before June 30, 1985.

(d) Recommend minimum standards of efficiency for the operation of any new facility at a particular site that are technically and economically feasible. No site and related facility shall be certified pursuant to Chapter 6 (commencing with Section 25500), unless the applicant certifies that standards recommended by the commission have been considered, which certification shall include a statement specifying the extent to which conformance with the recommended standards will be achieved.

Whenever this section and Chapter 11.5 (commencing with Section 19878) of Part 3 of Division 13 of the Health and Safety Code are in conflict, the commission shall be governed by that chapter of the Health and Safety Code to the extent of the conflict.

(e) The commission shall do all of the following:

(1) Not later than January 1, 2004, amend any regulations in effect on January 1, 2003, pertaining to the energy efficiency standards for residential clothes washers to require that residential clothes washers manufactured on or after January 1, 2007, be at least as water efficient as commercial clothes washers.

(2) Not later than April 1, 2004, petition the federal Department of Energy for an exemption from any relevant federal regulations governing energy efficiency standards that are applicable to residential clothes washers.

(3) Not later than January 1, 2005, report to the Legislature on its progress with respect to the requirements of paragraphs (1) and (2).

SEC. 109. Section 25402.1 of the Public Resources Code is amended to read:

25402.1. In order to implement the requirements of subdivisions (a) and (b) of Section 25402, the commission *and the department* shall do all of the following:

(a) Develop a public domain computer program which will enable contractors, builders, architects, engineers, and government officials to estimate the energy consumed by residential and nonresidential buildings. The ~~commission~~ *department* may charge a fee for the use of the program, which fee shall be based upon the actual cost of the program, including any computer costs.

(b) Establish a formal process for certification of compliance options for new products, materials, and calculation methods which provides for adequate technical and public review to ensure accurate, equitable, and timely evaluation of certification applications. Proponents filing applications for new products, materials, and calculation methods shall provide all information needed to evaluate the application that is required by the commission. The ~~commission~~ *department* shall publish annually the results of its certification decisions and instructions to users and local building officials concerning requirements for showing compliance with the building standards for new products, materials, or calculation methods. The ~~commission~~ *department* may charge and collect a reasonable fee from applicants to cover the costs under this subdivision. Any funds received by the ~~commission~~ *department* for purposes of this subdivision shall be deposited in the Energy Resources Programs Account and, notwithstanding Section 13340 of the Government Code, are continuously appropriated to the ~~commission~~ *department* for the purposes of this subdivision. Any unencumbered portion of funds collected as a fee for an application remaining in the Energy Resources Programs Account after completion of the certification process for that application shall be returned to the applicant within a reasonable period of time.

(c) Include a prescriptive method of complying with the standards, including design aids such as a manual, sample calculations, and model structural designs.

(d) Conduct a pilot project of field testing of actual residential buildings to calibrate and identify potential needed changes in the modeling assumptions to increase the accuracy of the public domain computer program specified in subdivision (a) and to evaluate the impacts of the standards, including, but not limited to, the energy savings, cost effectiveness, and the effects on indoor air quality. The pilot project shall be conducted pursuant

to a contract entered into by the ~~commission~~ *department*. The ~~commission~~ *department* shall consult with the participants designated pursuant to Section 9202 of the Public Utilities Code to seek funding and support for field monitoring in each public utility service territory, with the University of California to take advantage of its extensive building monitoring expertise, and with the California Building Industry Association to coordinate the involvement of builders and developers throughout the state. The pilot project shall include periodic public workshops to develop plans and review progress. The ~~commission~~ *department* shall prepare and submit a report to the Legislature on progress and initial findings not later than December 31, 1988, and a final report on the results of the pilot project on residential buildings not later than June 30, 1990. The report shall include recommendations regarding the need and feasibility of conducting further monitoring of actual residential and nonresidential buildings. The report shall also identify any revisions to the public domain computer program and energy conservation standards if the pilot project determines that revisions are appropriate.

(e) Certify, not later than 180 days after approval of the standards by the ~~State~~ *California* Building Standards Commission, an energy conservation manual for use by designers, builders, and contractors of residential and nonresidential buildings. The manual shall be furnished upon request at a price sufficient to cover the costs of production and shall be distributed at no cost to all affected local agencies. The manual shall contain, but not be limited to, the following:

(1) The standards for energy conservation established by the commission.

(2) Forms, charts, tables, and other data to assist designers and builders in meeting the standards.

(3) Design suggestions for meeting or exceeding the standards.

(4) Any other information which the ~~commission~~ *department* finds will assist persons in conforming to the standards.

(5) Instructions for use of the computer program for calculating energy consumption in residential and nonresidential buildings.

(6) The prescriptive method for use as an alternative to the computer program.

(f) The ~~commission~~ *department* shall establish a continuing program of technical assistance to local building departments in the enforcement of subdivisions (a) and (b) of Section 25402 and this section. The program shall include the training of local officials in building technology and enforcement procedures related to energy conservation, and the development of complementary training programs conducted by local governments, educational institutions, and other public or private entities. The technical assistance program shall include the preparation and publication of forms and procedures for local building departments in performing the review of building plans and specifications. The ~~commission~~ *department* shall provide, on a contract basis, a review of building plans and specifications submitted by a local building department, and shall adopt a schedule of fees sufficient to repay the cost of those services.

(g) Subdivisions (a) and (b) of Section 25402 and this section, and the rules and regulations of the commission adopted pursuant thereto, shall be enforced by the building department of every city, county, or city and county.

(1) No building permit for any residential or nonresidential building shall be issued by a local building department, unless a review by the building department of the plans for the proposed residential or nonresidential building contains detailed energy system specifications and confirms that the building satisfies the minimum standards established pursuant to subdivision (a) or (b) of Section 25402 and this section applicable to the building.

(2) Where there is no local building department, the ~~commission~~ *department* shall enforce subdivisions (a) and (b) of Section 25402 and this section.

(3) If a local building department fails to enforce subdivisions (a) and (b) of Section 25402 and this section or any other provision of this chapter or standard adopted pursuant thereto, the ~~commission~~ *department* may provide enforcement after furnishing 10 days' written notice to the local building department.

(4) A city, county, or city and county may, by ordinance or resolution, prescribe a schedule of fees sufficient to pay the costs incurred in the enforcement of subdivisions (a) and (b) of Section 25402 and this section. The ~~commission~~ *department* may

establish a schedule of fees sufficient to pay the costs incurred by that enforcement.

(5) No construction of any state building shall commence until the Department of General Services or the state agency that otherwise has jurisdiction over the property reviews the plans for the proposed building and certifies that the plans satisfy the minimum standards established pursuant to subdivision (a) or (b) of Chapter 2.8 (commencing with Section 15814.30) of Part 10b of Division 3 of Title 2 of the Government Code, Section 25402, and this section which are applicable to the building.

(h) Subdivisions (a) and (b) of Section 25402 and this section shall apply only to new residential and nonresidential buildings on which actual site preparation and construction have not commenced prior to the effective date of rules and regulations adopted pursuant to those sections that are applicable to those buildings. Nothing in those sections shall prohibit either of the following:

(1) The enforcement of state or local energy conservation or energy insulation standards, adopted prior to the effective date of rules and regulations adopted pursuant to subdivisions (a) and (b) of Section 25402 and this section with regard to residential and nonresidential buildings on which actual site preparation and construction have commenced prior to that date.

(2) The enforcement of city or county energy conservation or energy insulation standards, whenever adopted, with regard to residential and nonresidential buildings on which actual site preparation and construction have not commenced prior to the effective date of rules and regulations adopted pursuant to subdivisions (a) and (b) of Section 25402 and this section, if the city or county files the basis of its determination that the standards are cost effective with the ~~commission~~ *department* and the commission finds that the standards will require the diminution of energy consumption levels permitted by the rules and regulations adopted pursuant to those sections. If, after two or more years after the filing with the ~~commission~~ *department* of the determination that those standards are cost effective, there has been a substantial change in the factual circumstances affecting the determination, upon application by any interested party, the city or county shall update and file a new basis of its determination that the standards are cost effective. The

determination that the standards are cost effective shall be adopted by the governing body of the city or county at a public meeting. If, at the meeting on the matter, the governing body determines that the standards are no longer cost effective, the standards shall, as of that date, be unenforceable and no building permit or other entitlement shall be denied based on the noncompliance with the standards.

(i) The ~~commission~~ *department* may exempt from the requirements of this section and of any regulations adopted pursuant thereto any proposed building for which compliance would be impossible without substantial delays and increases in cost of construction, if the ~~commission~~ *department* finds that substantial funds have been expended in good faith on planning, designing, architecture or engineering prior to the date of adoption of the regulations.

(j) If a dispute arises between an applicant for a building permit, or the state pursuant to paragraph (5) of subdivision (g), and the building department regarding interpretation of Section 25402 or the regulations adopted pursuant thereto, either party may submit the dispute to the commission for resolution. The commission's determination of the matter shall be binding on the parties.

(k) Nothing in Section 25130, 25131, or 25402, or in this section prevents enforcement of any regulation adopted pursuant to this chapter, or Chapter 11.5 (commencing with Section 19878) of Part 3 of Division 13 of the Health and Safety Code as they existed prior to September 16, 1977.

SEC. 110. Section 25402.3 of the Public Resources Code is amended to read:

25402.3. For purposes of subdivision (e) of Section 25402.1, the ~~commission~~ *department* shall contract with California building officials to establish two regional training centers to provide continuing education for local building officials and enforcement personnel as follows:

(a) One site shall be located in northern California and one site shall be located in southern California to serve the needs of the respective regions.

(b) The centers shall provide training on a monthly basis to ensure a uniform understanding and implementation of the energy efficient building standards. Existing resources shall be

used as much as possible by utilizing members of the building official community in training activities.

(c) The centers shall provide similar training sessions, in the form of workshops given in designated rural areas, to ensure that adequate training is available throughout the state.

(1) A minimum of two workshops in northern California and two workshops in southern California shall be offered each year.

(2) The sites shall be selected to ensure the greatest number of participants will be served in areas of greatest need to decrease the financial burden on small rural or isolated local government agencies that would not be able to travel to the regional training centers for instruction.

SEC. 111. Section 25402.6 of the Public Resources Code is amended to read:

25402.6. The ~~commission~~ *department* shall investigate options and develop a plan to decrease wasteful peakload energy consumption in existing residential and nonresidential buildings. On or before January 1, 2004, the ~~commission~~ *department* shall report its findings to the Legislature, including, but not limited to, any changes in law necessary to implement the plan to decrease wasteful peakload energy consumption in existing residential and nonresidential buildings.

SEC. 112. Section 25402.9 of the Public Resources Code is amended to read:

25402.9. (a) On or before July 1, 1996, the ~~commission~~ *department* shall develop, adopt, and publish an informational booklet to educate and inform homeowners, rental property owners, renters, sellers, brokers, and the general public about the statewide home energy rating program adopted pursuant to Section 25942.

(b) In the development of the booklet, the ~~commission~~ *department* shall consult with representatives of the Department of Real Estate, the Department of Housing and Community Development, the Public Utilities Commission, investor-owned and municipal utilities, cities and counties, real estate licensees, home builders, mortgage lenders, home appraisers and inspectors, home energy rating organizations, contractors who provide home energy services, consumer groups, and environmental groups.

(c) The ~~commission~~ *department* shall charge a fee for the informational booklet to recover its costs under subdivision (a).

SEC. 113. Section 25403 of the Public Resources Code is amended to read:

25403. The ~~commission~~ *department* shall submit to the Public Utilities Commission and to any publicly owned electric utility, recommendations designed to reduce wasteful, unnecessary, or uneconomic energy consumption resulting from practices including, but not limited to, differential rate structures, cost-of-service allocations, the disallowance of a business expense of advertising or promotional activities which encourage the use of electrical power, peakload pricing, and other pricing measures. The Public Utilities Commission or publicly owned electric utility shall review and consider such recommendations and shall, within six months after the date it receives them, as prescribed by this section, report to the Governor and the Legislature its actions and reasons therefor with respect to such recommendations.

SEC. 114. Section 25403.5 of the Public Resources Code is amended to read:

25403.5. (a) The ~~commission~~ *department* shall~~, by July 1, 1978,~~ adopt standards by regulation for a program of electrical load management for each utility service area. In adopting the standards, the ~~commission~~ *department* shall consider, but need not be limited to, the following load management techniques:

(1) Adjustments in rate structure to encourage use of electrical energy at off-peak hours or to encourage control of daily electrical load. Compliance with those adjustments in rate structure shall be subject to the approval of the Public Utilities Commission in a proceeding to change rates or service.

(2) End use storage systems which store energy during off-peak periods for use during peak periods.

(3) Mechanical and automatic devices and systems for the control of daily and seasonal peakloads.

(b) The standards shall be cost-effective when compared with the costs for new electrical capacity, and the ~~commission~~ *department* shall find them to be technologically feasible. Any expense or any capital investment required of a utility by the standards shall be an allowable expense or an allowable item in

the utility rate base and shall be treated by the Public Utilities Commission as allowable in a rate proceeding.

The ~~commission~~ *department* may determine that one or more of the load management techniques are infeasible and may delay their adoption. If the ~~commission~~ *department* determines that any techniques are infeasible to implement, it shall make a finding in each instance stating the grounds upon which the determination was made and the actions it intends to take to remove the impediments to implementation.

(c) The ~~commission~~ *department* may also grant, upon application by a utility, an exemption from the standards or a delay in implementation. The grant of an exemption or delay shall be accompanied by a statement of findings by the ~~commission~~ *department* indicating the grounds for the exemption or delay. Exemption or delay shall be granted only upon a showing of extreme hardship, technological infeasibility, lack of cost-effectiveness, or reduced system reliability and efficiency.

(d) This section does not apply to proposed sites and related facilities for which a notice of intent or an application requesting certification has been filed with the ~~commission~~ *department* prior to the effective date of the standards.

SEC. 115. Section 25403.8 of the Public Resources Code is amended to read:

25403.8. (a) The ~~commission~~ *department* shall develop and implement a program to provide battery backup power for those official traffic control signals, operated by a city, county, or city and county, that the ~~commission~~ *department*, in consultation with cities, counties, or cities and counties, determines to be high priority traffic control signals.

(b) Based on traffic factors considered by cities, counties, or cities and counties, including, but not limited to, traffic volume, number of accidents, and presence of children, the ~~commission~~ *department* shall determine a priority schedule for the installation of battery backup power for traffic control systems. The ~~commission~~ *department* shall give priority to a city, county, or city and county that did not receive a grant from the State of California for the installation of light-emitting diode traffic control signals.

(c) The ~~commission~~ *department* shall also develop or adopt the necessary technical criteria as to wiring, circuitry, and

recharging units for traffic control signals. Only light-emitting diodes (LED) traffic control signals are eligible for battery backup power for the full operation of the traffic control signal or a flashing red mode. A city, county, or city and county may apply for a matching grant for battery backup power for traffic control signals retrofitted with light-emitting diodes.

(d) Based on the criteria described in subdivision (c), the ~~commission~~ *department* shall provide matching grants to cities, counties, and cities and counties for backup battery systems described in this section in accordance with the priority schedule established by the ~~commission~~ *department* pursuant to subdivision (b). The ~~commission~~ *department* shall provide 70 percent of the funds for a battery backup system, and the city, county, or city and county shall provide 30 percent.

(e) If a city, county, or city and county has installed a backup battery system for LED traffic control signals between January 1, 2001, and the effective date of the act adding this section, the ~~commission~~ *department* may reimburse the city, county, or city and county for up to 30 percent of the cost incurred for the backup battery system installation. However, the ~~commission~~ *department* may not spend more than one million five hundred thousand dollars ($1,500,000) for reimbursements pursuant to this subdivision.

SEC. 116. Section 25404 of the Public Resources Code is amended to read:

25404. The ~~commission~~ *department* shall cooperate with the Office of Planning and Research, the Resources Agency and other interested parties in developing procedures to ensure that mitigation measures to minimize wasteful, inefficient, and unnecessary consumption of energy are included in all environmental impact reports required on local projects as specified in Section 21151.

SEC. 117. Section 25410.5 of the Public Resources Code is amended to read:

25410.5. The Legislature finds and declares all of the following:

(a) Energy costs are frequently the second largest discretionary expense in a local government's budget. According to the ~~commission~~ *department*, most public institutions could reduce their energy costs by 20 to 30 percent.

(b) A variety of energy conservation measures are available to local governments. These measures are highly cost-effective, often providing a payback on the initial investment in three years or less.

(c) Many local governments lack energy management expertise and are often unaware of their high energy costs or the opportunities to reduce those costs.

(d) Local governments that desire to reduce their energy costs through energy conservation and efficiency measures often lack available funding.

(e) Since 1980, the Energy Conservation Assistance Account has provided $110 million in loans, through a revolving loan account, to 600 schools, hospitals, and local governments. The energy conservation projects funded by the account save approximately $35 million annually in energy costs.

(f) Local governments and public institutions need assistance in all aspects of energy efficiency improvements, including, but not limited to, project identification, project development and implementation, evaluation of project proposals and options, operations and maintenance, and troubleshooting of problem projects.

SEC. 118. Section 25410.6 of the Public Resources Code is amended to read:

25410.6. (a) It is the intent of the Legislature that the ~~commission~~ *department* shall administer the State Energy Conservation Assistance Account to provide grants and loans to local governments and public institutions to maximize energy use savings, including, but not limited to, technical assistance, demonstrations, and identification and implementation of cost-effective energy efficiency measures and programs in existing and planned buildings or facilities.

(b) It is further the intent of the Legislature that the ~~commission~~ *department* seek the assistance of utility companies in providing energy audits for local governments and public institutions and in publicizing the availability of State Energy Conservation Assistance Account funds to qualified entities.

SEC. 119. Section 25412 of the Public Resources Code is amended to read:

25412. Any eligible institution may submit an application to the ~~commission~~ *department* for an allocation for the purpose of

financing all or a portion of the costs incurred in implementing a project. The application shall be in such form and contain such information as the ~~commission~~ *department* shall prescribe.

An application may be for the purpose of financing the eligible institution's share of such costs which are to be jointly funded through a state, local, or federal-local program.

SEC. 120. Section 25413 of the Public Resources Code is amended to read:

25413. Applications may be approved by the ~~commission~~ *department* only in those instances where the eligible institution has furnished information satisfactory to the ~~commission~~ *department* that the costs of the project, plus interest on state funds loaned, calculated in accordance with Section 25415, will be recovered through savings in the cost of energy to the institution during the repayment period of the allocation.

The savings shall be calculated in a manner prescribed by the ~~commission~~ *department*.

SEC. 121. Section 25414 of the Public Resources Code is amended to read:

25414. Annually at the conclusion of each fiscal year, but not later than October 31, each eligible institution which has received an allocation pursuant to the provisions of this chapter shall compute the cost of the energy saved as a result of implementing a project funded by ~~such~~ *that* allocation. ~~Such~~ *The* cost shall be calculated in a manner prescribed by the ~~commission~~ *department*.

SEC. 122. Section 25415 of the Public Resources Code is amended to read:

25415. (a) Each eligible institution to which an allocation has been made under this chapter shall repay the principal amount of the allocation, plus interest, in not more than 30 equal semiannual payments, as determined by the ~~commission~~ *department*. The first semiannual payment shall be made on or before December 22 of the fiscal year following the year in which the project is completed. The repayment period may not exceed the life of the equipment, as determined by the ~~commission~~ *department* or the lease term of the building in which the energy conservation measures will be installed.

(b) Notwithstanding any other provision of law, the ~~commission~~ *department* shall, unless it determines that the purposes of this chapter would be better served by establishing

an alternative interest rate schedule, periodically set interest rates on the loans based on surveys of existing financial markets and at rates not less than 3 percent per annum.

(c) The governing body of each eligible institution shall annually budget an amount at least sufficient to make the semiannual payments required in this section. The amount shall not be raised by the levy of additional taxes but shall instead be obtained by a savings in energy costs or other sources.

SEC. 123. Section 25416 of the Public Resources Code is amended to read:

25416. (a) The State Energy Conservation Assistance Account is hereby created in the General Fund. Notwithstanding Section 13340 of the Government Code, the account is continuously appropriated to the ~~commission~~ *department* without regard to fiscal year.

(b) The money in the account shall consist of all money authorized or required to be deposited in the account by the Legislature and all money received by the ~~commission~~ *department* pursuant to Sections 25414 and 25415.

(c) The money in the account shall be disbursed by the Controller for the purposes of this chapter as authorized by the ~~commission~~ *department*.

(d) The ~~commission~~ *department* may contract and provide grants for services to be performed for eligible institutions. Services may include, but are not limited to, feasibility analysis, project design, field assistance, and operation and training. The amount expended for those services may not exceed 10 percent of the balance of the account as determined by the ~~commission~~ *department* on July 1 of each year.

(e) The ~~commission~~ *department* may make grants for innovative projects and programs. The amount expended for grants may not exceed 5 percent of the annual appropriation from the account.

(f) The ~~commission~~ *department* may charge a fee for the services provided under subdivision (d).

SEC. 124. Section 25417 of the Public Resources Code is amended to read:

25417. (a) An allocation made pursuant to this chapter shall be used for the purposes specified in an approved application.

(b) In the event that the ~~commission~~ *department* determines that an allocation has been expended for purposes other than those specified in an approved application, it shall immediately request the return of the full amount of the allocation. The eligible institution shall immediately comply with such request.

SEC. 125. Section 25417.5 of the Public Resources Code is amended to read:

25417.5. (a) In furtherance of the purposes of the ~~commission~~ *department* as set forth in this chapter, the ~~commission~~ *department* has the power and authority to do all of the following:

(1) Borrow money, for the purpose of obtaining funds to make loans pursuant to this chapter, from the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, and the California Consumer Power and Conservation Financing Authority from the proceeds of revenue bonds issued by any of those agencies.

(2) Pledge, to provide collateral in connection with the borrowing of money pursuant to paragraph (1), loans made pursuant to this chapter or Chapter 5.4 (commencing with Section 25440), or the principal and interest payments on loans made pursuant to this chapter or Chapter 5.4 (commencing with Section 25440).

(3) Sell loans made pursuant to this chapter or Chapter 5.4 (commencing with Section 25440), at prices determined in the sole discretion of the ~~commission~~ *department*, to the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, and the California Consumer Power and Conservation Financing Authority to raise funds to enable the ~~commission~~ *department* to make loans to eligible institutions.

(4) Enter into loan agreements or other contracts necessary or appropriate in connection with the pledge or sale of loans pursuant to paragraph (2) or (3), or the borrowing of money as provided in paragraph (1), containing any provisions that may be required by the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, or the ~~California Consumer Power and Conservation Financing Authority~~ *department* as conditions of

issuing bonds to fund loans to, or the purchase of loans from, the ~~commission~~ *department*.

(b) In connection with the pledging of loans, or of the principal and interest payment on loans, pursuant to paragraph (2) of subdivision (a), the ~~commission~~ *department* may enter into pledge agreements setting forth the terms and conditions pursuant to which the ~~commission~~ *department* is pledging loans or the principal and interest payment on loans, and may also agree to have the loans held by bond trustees or by independent collateral or escrow agents and to direct that payments received on those loans be paid to those trustee, collateral, or escrow agents.

(c) The ~~commission~~ *department* may employ financial consultants, legal advisers, accountants, and other service providers, as may be necessary in its judgment, in connection with activities pursuant to this chapter.

(d) Notwithstanding any other provision of law, this chapter provides a complete, separate, additional, and alternative method for implementing the measures authorized by this chapter, including the authority of the eligible institutions or local jurisdictions to have borrowed and to borrow in the future pursuant to loans made pursuant to this chapter or Chapter 5.4 (commencing with Section 25440), and is supplemental and additional to powers conferred by other laws.

SEC. 126. Section 25419 of the Public Resources Code is amended to read:

25419. In addition to the powers specifically granted to the ~~commission~~ *department* by the other provisions of this chapter, the ~~commission~~ *department* shall have the following powers:

(a) To establish qualifications and priorities, consistent with the objectives of this chapter, for making allocations.

(b) To establish such procedures and policies as may be necessary for the administration of this chapter.

SEC. 127. Section 25420 of the Public Resources Code is amended to read:

25420. The ~~commission~~ *department* may expend from the State Energy Conservation Assistance Account an amount to pay for the actual administrative costs incurred by the ~~commission~~ *department* pursuant to this chapter. Such amount shall not exceed 5 percent of the total appropriation, to be held in reserve

and used to defray costs incurred by the ~~commission~~ *department* for allocations made by the ~~commission~~ *department* pursuant to this chapter.

SEC. 128. Section 25426 of the Public Resources Code is amended to read:

25426. As used in this article, the following terms have the following meanings:

(a) "Commercial refrigeration" means a refrigerator that is not a federally regulated consumer product.

(b) "Energy-efficient model" means any appliance that meets the efficiency standards of the United States Department of Energy that are effective on and after July 1, 2001, and, if applicable, products certified as energy efficient zone heating products by the~~ State Energy Resources Conservation and Development Commission~~ *commission*.

(c) "Small business" means any small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.

SEC. 129. Section 25433.5 of the Public Resources Code is amended to read:

25433.5. (a) In consultation with the Public Utilities Commission, the ~~commission~~ *department* shall do both of the following for the purpose of full or partial funding of an eligible construction or retrofit project:

(1) Establish a grant program to provide financial assistance to eligible low-income individuals.

(2) Establish a 2-percent interest per annum loan program to provide financial assistance to a small business owner, residential property owner, or individual who is not eligible for a grant pursuant to paragraph (1). The loans shall be available to a small business owner who has a gross annual income that does not exceed one hundred thousand dollars ($100,000) or to an individual or residential property owner who has a gross annual household income that does not exceed one hundred thousand dollars ($100,000).

(b) (1) The ~~commission~~ *department* shall use the design guidelines adopted pursuant to paragraph (2) of subdivision (f) of Section 14 of the act that added this section as standards to determine eligible energy-efficiency projects.

(2) The award of a grant pursuant to this section is subject to appeal to the ~~commission~~ *department* upon a showing that the ~~commission~~ *department* applied factors, other than those adopted by the ~~commission~~ *department*, in making the award.

(3) The grant or loan recipient shall commit to using the grant or loan for the purpose for which the grant or loan was awarded.

(4) Any action taken by an applicant to apply for, or to become or remain eligible to receive, a grant award, including satisfying conditions specified by the ~~commission~~ *department*, does not constitute the rendering of goods, services, or a direct benefit to the ~~commission~~ *department*.

(5) The amount of any grant awarded pursuant to this article to a low-income individual does not constitute income for purposes of calculating the recipient's gross income for the tax year during which the grant is received.

SEC. 130. Section 25434 of the Public Resources Code is amended to read:

25434. The ~~commission~~ *department* may contract with one or more business entities capable of supplying or providing goods or services necessary for the ~~commission~~ *department* to carry out the responsibilities for the programs conducted pursuant to this article, and shall contract with one or more business entities to evaluate the effectiveness of the programs implemented pursuant to subdivision (a) of Section 25433.5. The ~~commission~~ *department* may select an entity on a sole source basis for one or both of those purposes if the cost to the state will be reasonable and the ~~commission~~ *department* determines that it is in the best interest of the state.

SEC. 131. Section 25434.5 of the Public Resources Code is amended to read:

25434.5. As used in this article, the following terms have the following meanings:

(a) "Eligible construction or retrofit project" means a project for making improvements to a home or building in existence on the effective date of the act adding this section, through an addition, alteration, or repair, which effectively increases the energy efficiency or reduces the energy consumption of the home or building as specified by the ~~commission's~~ *departmental* guidelines under paragraph (2) of subdivision (f) of Section 14 of

the act that added this section. The improvements shall be deemed to be cost-effective.

(b) "Low income" means an individual with a gross annual income equal to or less than 200 percent of the federal poverty level.

(c) "Small business" means any small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.

SEC. 132. Section 25435 of the Public Resources Code is amended to read:

25435. The ~~commission~~ *department* shall administer the Small Business Energy Efficient Refrigeration Loan Program, as provided for in Section 25436.

SEC. 133. Section 25436 of the Public Resources Code is amended to read:

25436. (a) Within 45 days of the effective date of this chapter, the ~~commission~~ *department* shall implement a Small Business Energy Efficient Refrigeration Loan Program for qualifying small businesses to purchase and install energy efficient refrigeration equipment.

(b) The program shall offer loans at 3 percent interest on terms that will ensure the small business owner will repay the loan over time in accordance with terms established by the ~~Energy Commission~~ *department*, but in no event may the term exceed the useful life of the purchase.

(c) The ~~commission~~ *department* may enter into agreements with lending institutions and qualifying vendors to facilitate making and administering loans. Any loan made by the ~~commission~~ *department* for the purchase of equipment shall be secured against the equipment purchased.

SEC. 134. Section 25441 of the Public Resources Code is amended to read:

25441. The ~~commission~~ *department* shall provide financial assistance to local jurisdictions for the purpose of providing staff training and support services, including, but not limited to, planning design, permitting, energy conservation, comprehensive energy management, project evaluation, and development of alternative energy resources.

SEC. 135. Section 25442 of the Public Resources Code is amended to read:

25442. The ~~commission~~ *department* shall provide loans to local jurisdictions for all of the following purposes:

(a) Purchase, maintenance, and evaluation of energy efficient equipment for existing and new facilities, including, but not limited to, equipment related to lights, motors, pumps, water and wastewater systems, boilers, heating, and air conditioning.

(b) Purchase, maintenance, and evaluation of small power production systems, including, but not limited to, wind, cogeneration, photovoltaics, geothermal, and hydroelectric systems.

(c) Improve the operating efficiency of existing local transportation systems.

SEC. 136. Section 25442.5 of the Public Resources Code is amended to read:

25442.5. The ~~commission~~ *department* may award financial assistance for project audits, feasibility studies, engineering and design, and legal and financial analysis related to the purposes of Section 25442.

SEC. 137. Section 25442.7 of the Public Resources Code is amended to read:

25442.7. (a) Loans under this article may not exceed five million dollars ($5,000,000) for any one local jurisdiction unless the ~~commission~~ *department* determines~~, by unanimous vote,~~ that the public interest and objectives of this chapter would be better served at a higher loan amount.

(b) Loan repayments shall be made in accordance with a schedule established by the ~~commission~~ *department*. Repayment of loans shall be made in full unless the ~~commission~~ *department* determines~~, by unanimous vote,~~ that the public interest and objectives of this chapter would be better served by negotiating a reduced loan repayment for a project that fails to meet the technical or financial performance criteria through no fault of the local jurisdiction.

SEC. 138. Section 25443 of the Public Resources Code is amended to read:

25443. (a) Principal and interest payments on loans under this article shall be returned to the ~~commission~~ *department* and shall be used to make additional loans to local jurisdictions pursuant to Section 25442 or to provide financial assistance to local jurisdictions pursuant to Section 25441.

(b) Notwithstanding any other provision of law, the ~~commission~~ *department* shall, unless it determines that the purposes of this chapter would be better served by establishing an alternative interest rate schedule, periodically set interest rates on the loans based on surveys of existing financial markets and at rates not less than 3 percent per annum.

SEC. 139. Section 25443.5 of the Public Resources Code is amended to read:

25443.5. (a) In furtherance of the purposes of the ~~commission~~ *department* as set forth in this chapter, the ~~commission~~ *department* has the power and authority to do all of the following:

(1) Borrow money, for the purpose of obtaining funds to make loans pursuant to this chapter, from the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, and the California Consumer Power and Conservation Financing Authority from the proceeds of revenue bonds issued by any of those agencies.

(2) Pledge, to provide collateral in connection with the borrowing of money pursuant to paragraph (1), loans made pursuant to this chapter or Chapter 5.2 (commencing with Section 25410), or the principal and interest payments on loans made pursuant to this chapter or Chapter 5.2 (commencing with Section 25410).

(3) Sell loans made pursuant to this chapter or Chapter 5.2 (commencing with Section 25410), at prices determined in the sole discretion of the ~~commission~~ *department*, to the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, and the ~~California Consumer Power and Conservation Financing Authority~~ *department* to raise funds to enable the commission to make loans to eligible institutions.

(4) Enter into loan agreements or other contracts necessary or appropriate in connection with the pledge or sale of loans pursuant to paragraph (2) or (3), or the borrowing of money as provided in paragraph (1), containing any provisions that may be required by the California Economic Development Financing Authority, the California Infrastructure and Economic Development Bank, or the ~~California Consumer Power and Conservation Financing Authority~~ *department* as conditions of

issuing bonds to fund loans to, or the purchase of loans from, the ~~commission~~ *department*.

(b) In connection with the pledging of loans, or of the principal and interest payment on loans, pursuant to paragraph (2) of subdivision (a), the ~~commission~~ *department* may enter into pledge agreements setting forth the terms and conditions pursuant to which the ~~commission~~ *department* is pledging loans or the principal and interest payment on loans, and may also agree to have the loans held by bond trustees or by independent collateral or escrow agents and to direct that payments received on those loans be paid to those trustee, collateral, or escrow agents.

(c) The ~~commission~~ *department* may employ financial consultants, legal advisers, accountants, and other service providers, as may be necessary in its judgment, in connection with activities pursuant to this chapter.

(d) Notwithstanding any other provision of law, this chapter provides a complete, separate, additional, and alternative method for implementing the measures authorized by this chapter, including the authority of the eligible institutions or local jurisdictions to have borrowed and to borrow in the future pursuant to loans made pursuant to this chapter or Chapter 5.2 (commencing with Section 25410), and is supplemental and additional to powers conferred by other laws.

SEC. 140. Section 25445 of the Public Resources Code is amended to read:

25445. The ~~commission~~ *department* shall design a local jurisdiction energy assistance program for the purpose of providing financial assistance under Article 2 (commencing with Section 25441) and providing loans under Article 3 (commencing with Section 25442). A local jurisdiction's energy assistance program shall be funded through the ~~commission's~~ *department's* existing local government assistance programs, except that if a project is not eligible for funding under an existing program, the ~~commission~~ *department* may fund the project under this chapter.

SEC. 141. Section 25449 of the Public Resources Code is amended to read:

25449. The ~~commission~~ *department* shall enter into an agreement with the Regents of the University of California, the

Trustees of the California State University, and the Board of Governors of the California Community Colleges for the expenditure of petroleum violation escrow funds to supplement, and not supplant, other available funds to improve energy efficiency at state-supported universities and colleges under their respective jurisdictions by funding projects involving any of the following:

(a) Data collection.

(b) Establishment of operations and maintenance standards.

(c) Staff training.

(d) Ongoing energy equipment maintenance.

(e) Projects involving heating, ventilation, air conditioning, and lighting equipment.

SEC. 142. Section 25449.1 of the Public Resources Code is amended to read:

25449.1. The ~~commission~~ *department* shall enter into an agreement with the State Department of Education to expend petroleum violation escrow funds to supplement, and not supplant, other available funds in order to provide loans to school districts to purchase, maintain, and evaluate energy efficient equipment and small power production systems.

SEC. 143. Section 25449.2 of the Public Resources Code is amended to read:

25449.2. Not later than three years after the imposition of any fees pursuant to this chapter, the ~~commission~~ *department* shall report to the Legislature in the biennial energy conservation report required by Section 25401.1, on the effect of those fees on alternative public and private financing for public sector programs.

SEC. 144. Section 25449.3 of the Public Resources Code is amended to read:

25449.3. (a) The Local Jurisdiction Energy Assistance Account is hereby created in the General Fund. All money appropriated for purposes of this chapter and all money received from local jurisdictions from loan repayments shall be deposited in the account and disbursed by the Controller as authorized by the ~~commission~~ *department*.

(b) The ~~commission~~ *department* may charge a fee for the services provided under this chapter.

(c) The ~~commission~~ *department* may contract for services to be performed by eligible institutions, as defined in subdivision (c) of Section 25411. Those services may include, but are not limited to, performance of a feasibility analysis, and providing project design, field evaluation, and operation and training assistance. The amount expended for contract services may not exceed 10 percent of the annual scheduled loan repayment to the Local Jurisdiction Energy Assistance Account, as determined by the ~~commission~~ *department* not later than July 1 of each fiscal year.

SEC. 145. Section 25494 of the Public Resources Code is amended to read:

25494. Not later than July 31, 1978, the ~~commission~~ *department* shall prepare a manual outlining a methodology by which governmental agencies and the general public may at their option compare the lifecycle costs of various building design alternatives. This manual will provide the information and procedures necessary to evaluate a building's lifecycle costs in the microclimate and utility service area where it is to be built.

SEC. 146. Section 25496 of the Public Resources Code is amended to read:

25496. No later than July 1, 1978, the commission shall develop and make available to government agencies and the general public to be utilized at their option lighting standards for existing buildings. These standards shall address, but not be limited to, task and general area lighting levels, light switching and control mechanisms, and lighting energy budgets. The ~~commission~~ *department* may provide advice and recommendations to the public or any governmental agency as to the standards.

SEC. 147. Section 25509.5 of the Public Resources Code is amended to read:

25509.5. No sooner than 15 days after the conclusion of the presentations pursuant to Section 25509, the commission shall commence nonadjudicatory hearings. Such hearings shall identify issues for adjudication in hearings pursuant to Section 25513, issues which may be eliminated from further consideration in the notice proceedings, and issues which should be deferred to the certification proceeding. Any person may participate to the extent deemed reasonable and relevant by the

presiding member of the commission in any such hearing. In scheduling such hearings the ~~presiding member shall confer with the public adviser to provide~~ *commission shall ensure* that the hearing dates and locations are as convenient as possible for interested parties and the public. Such hearings shall be conducted in order to accomplish all of the following purposes:

(a) To set forth the electrical demand basis for the proposed site and related facility.

(b) To provide knowledge and understanding of proposed facilities and sites.

(c) To obtain the views and comments of the public, parties, and concerned governmental agencies on the environmental, public health and safety, economic, social, and land use impacts of the facility at the proposed sites.

(d) To solicit information regarding reasonable alternative sources of the electric generating capacity or energy to be provided by alternative sites and related facilities, or combinations thereof, which will better carry out the policies and objectives of this division.

SEC. 148. Section 25517 of the Public Resources Code is amended to read:

25517. Except as provided in Section 25501, no construction of any thermal powerplant or electric transmission line shall be commenced by any electric utility without first obtaining certification as prescribed in this division. Any onsite improvements not qualifying as construction may be required to be restored as determined by the ~~commission~~ *department* to be necessary to protect the environment, if certification is denied.

SEC. 149. Section 25519 of the Public Resources Code is amended to read:

25519. (a) In order to obtain certification for a site and related facility, an application for certification of the site and related facility shall be filed with the commission. The application shall be in a form prescribed by the commission and shall be for a site and related facility that has been found to be acceptable by the commission pursuant to Section 25516, or for an additional facility at a site that has been designated a potential multiple-facility site pursuant to Section 25514.5 and found to be acceptable pursuant to Sections 25516 and 25516.5. An application for an additional facility at a potential

multiple-facility site shall be subject to the conditions and review specified in Section 25520.5. An application may not be filed for a site and related facility, if there is no suitable alternative for the site and related facility that was previously found to be acceptable by the commission, unless the commission has approved the notice based on the one site as specified in Section 25516.

(b) *(1)* The commission, upon its own motion or in response to the request of any party, may require the applicant to submit any information, document, or data, in addition to the attachments required by subdivision (i), that it determines is reasonably necessary to make any decision on the application.

*(2) Section 583 of the Public Utilities Code shall apply to sensitive or proprietary information that the commission requires a public utility to submit under this section with respect to an application made pursuant to the jurisdiction that is transferred to the commission pursuant to subdivision (b) of Section 1001 of the Public Utilities Code.*

(c) The commission shall be the lead agency as provided in Section 21165 for all projects that require certification pursuant to this chapter and for projects that are exempted from such certification pursuant to Section 25541. Unless the commission's regulatory program governing site and facility certification and related proceedings are certified by the Resources Agency pursuant to Section 21080.5, an environmental impact report shall be completed within one year after receipt of the application. If the commission prepares a document or documents in the place of an environmental impact report or negative declaration under a regulatory program certified pursuant to Section 21080.5, any other public agency that must make a decision that is subject to the California Environmental Quality Act, Division 13 (commencing with Section 21000), on a site or related facility, shall use the document or documents prepared by the commission in the same manner as they would use an environmental impact report or negative declaration prepared by a lead agency.

(d) If the site and related facility specified in the application is proposed to be located in the coastal zone, the commission shall transmit a copy of the application to the California Coastal Commission for its review and comments.

(e) If the site and related facility specified in the application is proposed to be located in the Suisun Marsh or the jurisdiction of the San Francisco Bay Conservation and Development Commission, the commission shall transmit a copy of the application to the San Francisco Bay Conservation and Development Commission for its review and comments.

(f) Upon receipt of an application, the commission shall forward the application to local governmental agencies having land use and related jurisdiction in the area of the proposed site and related facility. Those local agencies shall review the application and submit comments on, among other things, the design of the facility, architectural and aesthetic features of the facility, access to highways, landscaping and grading, public use of lands in the area of the facility, and other appropriate aspects of the design, construction, or operation of the proposed site and related facility.

(g) Upon receipt of an application, the commission shall cause a summary of the application to be published in a newspaper of general circulation in the county in which the site and related facilities, or any part thereof, designated in the application, is proposed to be located. The commission shall transmit a copy of the application to each federal and state agency having jurisdiction or special interest in matters pertinent to the proposed site and related facilities and to the Attorney General.

(h) Local and state agencies having jurisdiction or special interest in matters pertinent to the proposed site and related facilities shall provide their comments and recommendations on the project within 180 days of the date of filing of an application.

(i) The adviser shall require that adequate notice is given to the public and that the procedures specified by this division are complied with.

(j) For any proposed site and related facility requiring a certificate of public convenience and necessity, the commission shall transmit a copy of the application to the Public Utilities Commission and request the comments and recommendations of the Public Utilities Commission on the economic, financial, rate, system reliability, and service implications of the proposed site and related facility. If the commission requires modification of the proposed facility, the commission shall consult with the Public Utilities Commission regarding the economic, financial,

rate, system reliability, and service implications of those modifications.

(k) The commission shall transmit a copy of the application to any governmental agency not specifically mentioned in this act, but which it finds has any information or interest in the proposed site and related facilities, and shall invite the comments and recommendations of each agency. The commission shall request any relevant laws, ordinances, or regulations that an agency has promulgated or administered.

(*l*) An application for certification of any site and related facilities shall contain a listing of every federal agency from which any approval or authorization concerning the proposed site is required, specifying the approvals or authorizations obtained at the time of the application and the schedule for obtaining any approvals or authorizations pending.

SEC. 150. Section 25521 of the Public Resources Code is amended to read:

25521. No earlier than 90 nor later than 240 days after the date of the filing of an application, the commission shall commence a public hearing or hearings on the application in Sacramento, San Francisco, Los Angeles, or San Diego, whichever city is nearest the proposed site. Additionally, the commission may hold a hearing or hearings in the county in which the proposed site and related facilities are to be located. The commission hearings shall provide a reasonable opportunity for the public and all parties to the proceeding to comment upon the application and the ~~commission~~ *department* staff assessment and shall provide the equivalent opportunity for comment as required pursuant to Division 13 (commencing with Section 21000). Consistent with the requirements of this section, the commission shall have the discretion to determine whether or not a hearing is to be conducted in a manner that requires formal examination of witnesses or that uses other similar adjudicatory procedures.

SEC. 151. Section 25531 of the Public Resources Code is amended to read:

25531. (a) The decisions of the commission on any application for certification of a site and related facility are subject to judicial review by the Supreme Court of California. *The decisions of the commission on any application for*

*certification of an electric transmission or natural gas line or facility for which jurisdiction is transferred pursuant to subdivision (b) of Section 1001 of the Public Utilities Code are reviewable by petition for a writ of review in the state Court of Appeal or the Supreme Court of California in the manner described in Section 1756 of the Public Utilities Code.*

(b) No new or additional evidence may be introduced upon review and the cause shall be heard on the record of the commission as certified to by it. The review shall not be extended further than to determine whether the commission has regularly pursued its authority, including a determination of whether the order or decision under review violates any right of the petitioner under the United States Constitution or the California Constitution. The findings and conclusions of the commission on questions of fact are final and are not subject to review, except as provided in this article. These questions of fact shall include ultimate facts and the findings and conclusions of the commission. A report prepared by, or an approval of, the commission pursuant to Section 25510, 25514, 25516, or 25516.5, or subdivision (b) of Section 25520.5, shall not constitute a decision of the commission subject to judicial review.

(c) Subject to the right of judicial review of decisions of the commission, no court in this state has jurisdiction to hear or determine any case or controversy concerning any matter which was, or could have been, determined in a proceeding before the commission, or to stop or delay the construction or operation of any thermal powerplant except to enforce compliance with the provisions of a decision of the commission.

(d) Notwithstanding Section 1250.370 of the Code of Civil Procedure:

(1) If the commission requires, pursuant to subdivision (a) of Section 25528, as a condition of certification of any site and related facility, that the applicant acquire development rights, that requirement conclusively establishes the matters referred to in Sections 1240.030 and 1240.220 of the Code of Civil Procedure in any eminent domain proceeding brought by the applicant to acquire the development rights.

(2) If the commission certifies any site and related facility, that certification conclusively establishes the matters referred to in

Sections 1240.030 and 1240.220 of the Code of Civil Procedure in any eminent domain proceeding brought to acquire the site and related facility.

(e) No decision of the commission pursuant to Section 25516, 25522, or 25523 shall be found to mandate a specific supply plan for any utility as prohibited by Section 25323.

SEC. 152. Section 25534 of the Public Resources Code is amended to read:

25534. (a) The commission may, after one or more hearings, amend the conditions of, or revoke the certification for, any facility for any of the following reasons:

(1) Any material false statement set forth in the application, presented in proceedings of the commission, or included in supplemental documentation provided by the applicant.

(2) Any significant failure to comply with the terms or conditions of approval of the application, as specified by the commission in its written decision.

(3) A violation of this division or any regulation or order issued by the commission under this division.

(4) The owner of a project does not start construction of the project within 12 months after the date all permits necessary for the project become final and all administrative and judicial appeals have been resolved ~~provided the California Consumer Power and Conservation Financing Authority notifies the commission that it is willing and able to construct the project pursuant to subdivision (g)~~. The project owner may extend the 12-month period by 24 additional months pursuant to subdivision (f). This paragraph applies only to projects with a project permit application deemed complete by the commission after January 1, 2003.

(b) The commission may also administratively impose a civil penalty for a violation of paragraph (1) or (2) of subdivision (a). Any civil penalty shall be imposed in accordance with Section 25534.1 and may not exceed seventy-five thousand dollars ($75,000) per violation, except that the civil penalty may be increased by an amount not to exceed one thousand five hundred dollars ($1,500) per day for each day in which the violation occurs or persists, but the total of the per day penalties may not exceed fifty thousand dollars ($50,000).

(c) A project owner shall commence construction of a project subject to the start-of-construction deadline provided by paragraph (4) of subdivision (a) within 12 months after the project has been certified by the commission and after all accompanying project permits are final and administrative and judicial appeals have been completed. The project owner shall submit construction and commercial operation milestones to the commission within 30 days after project certification. Construction milestones shall require the start of construction within the 12-month period established by this subdivision. The commission shall approve milestones within 60 days after project certification. If the 30-day deadline to submit construction milestones to the commission is not met, the commission shall establish milestones for the project.

(d) The failure of the owner of a project subject to the start-of-construction deadline provided by paragraph (4) of subdivision (a) to meet construction or commercial operation milestones, without a finding by the commission of good cause, shall be cause for revocation of certification or the imposition of other penalties by the commission.

(e) A finding by the commission that there is good cause for failure to meet the start-of-construction deadline required by paragraph (4) of subdivision (a) or any subsequent milestones of subdivision (c) shall be made if the commission determines that any of the following criteria are met:

(1) The change in any deadline or milestone does not change the established deadline or milestone for the start of commercial operation.

(2) The deadline or milestone is changed due to circumstances beyond the project owner's control, including, but not limited to, administrative and legal appeals.

(3) The deadline or milestone will be missed but the project owner demonstrates a good faith effort to meet the project deadline or milestone.

(4) The deadline or milestone will be missed due to unforeseen natural disasters or acts of God that prevent timely completion of the project deadline or milestone.

(5) The deadline or milestone will be missed for any other reason determined reasonable by the commission.

(f) The commission shall extend the start-of-construction deadline required by paragraph (4) of subdivision (a) by an additional 24 months, if the owner reimburses the commission's actual cost of licensing the project, less the amount paid pursuant to subdivision (a) of Section 25806. For the purposes of this section, the commission's actual cost of licensing the project shall be based on a certified audit report filed by the commission staff within 180 days of the commission's certification of the project. The certified audit shall be filed and served on all parties to the proceeding, is subject to public review and comment, and is subject to at least one public hearing if requested by the project owner. Any reimbursement received by the commission pursuant to this subdivision shall be deposited in the General Fund.

(g) ~~If the owner of a project subject to the start-of-construction deadline provided by paragraph (4) of subdivision (a) fails to commence construction, without good cause, within 12 months after the project has been certified by the commission and has not received an extension pursuant to subdivision (f), the commission shall provide immediate notice to the California Consumer Power and Conservation Financing Authority. The authority shall evaluate whether to pursue the project independently or in conjunction with any other public or private entity, including the original certificate holder. If the authority demonstrates to the commission that it is willing and able to construct the project either independently or in conjunction with any other public or private entity, including the original certificate holder, the commission may revoke the original certification and issue a new certification for the project to the authority, unless the authority's statutory authorization to finance or approve new programs, enterprises, or projects has expired. If the authority declines to pursue the project, the permit shall remain with the current project owner until it expires pursuant to the regulations adopted by the commission.~~

~~(h)~~ If the commission issues a new certification for a project subject to the start-of-construction deadline provided by paragraph (4) of subdivision (a) ~~to the authority~~, the commission shall adopt new milestones for the project that allow the ~~authority~~ *certificate holder* up to 24 months to start construction of the project or to start to meet the applicable deadlines or milestones. If the ~~authority~~ *certificate holder* fails to begin construction in

conformity with the deadlines or milestones adopted by the commission, without good cause, the certification may be revoked.

~~(i) (1) If the commission issues a new certification for a project subject to the start-of-construction deadline provided by paragraph (4) of subdivision (a) to the authority and the authority pursues the project without participation of the original certificate holder, the authority shall offer to reimburse the original certificate holder for the actual costs the original certificate holder incurred in permitting the project and in procuring assets associated with the license, including, but not limited to, major equipment and the emission offsets. In order to receive reimbursement, the original certificate holder shall provide to the commission documentation of the actual costs incurred in permitting the project. The commission shall validate those costs. The certificate holder may refuse to accept the offer of reimbursement for any asset associated with the license and retain the asset. To the extent the certificate holder chooses to accept the offer for an asset, it shall provide the authority with the asset.~~

~~(2) If the authorityreimburses the original certificate holder for the costs described in paragraph (1), the original certificate holder shall provide the authority with all of the assets for which the original certificate holder received reimbursement.~~

~~(j)~~

*(h)* This section does not prevent a certificate holder from selling its license to construct and operate a project prior to its revocation by the commission. In the event of a sale to an entity that is not an affiliate of the certificate holder, the ~~commission~~ *department* shall adopt new deadlines or milestones for the project that allow the new certificate holder up to 12 months to start construction of the project or to start to meet the applicable deadlines or milestones.

~~(k)~~

*(i)* Paragraph (4) of subdivision (a) and subdivisions (c) to ~~(j)~~ *(h)*, inclusive, do not apply to licenses issued for the modernization, repowering, replacement, or refurbishment of existing facilities or to a qualifying small power production facility or a qualifying cogeneration facility within the meaning of Sections 201 and 210 of Title II of the federal Public Utility

Regulatory Policies Act of 1978 (16 U.S.C. Secs. 796(17), 796(18), and 824a-3), and the regulations adopted pursuant to those sections by the Federal Energy Regulatory Commission (18 C.F.R. Parts 292.101 to 292.602, inclusive), nor shall those provisions apply to any other generation units installed, operated, and maintained at a customer site exclusively to serve that facility's load. For the purposes of this subdivision, "replacement" of an existing facility includes, but is not limited to, a comparable project at a location different than the facility being replaced, provided that the commission certifies that the new project will result in the decommissioning of the existing facility.

~~(*l*)~~

*(j)* Paragraph (4) of subdivision (a) and subdivisions (c) to ~~(j)~~ *(h)*, inclusive, do not apply to licenses issued to "local publicly owned electric utilities" as defined in subdivision (d) of Section 9604 of the Public Utilities Code whose governing bodies certify to the commission that the project is needed to meet the projected native load of the local publicly owned utility.

~~(m)~~

*(k)* To implement this section, the ~~commission and the California Consumer Power and Conservation Financing Authority~~ *department* may, ~~in consultation with each other,~~ adopt emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that chapter, including, without limitation, Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, or general welfare.

SEC. 153. Section 25534.1 of the Public Resources Code is amended to read:

25534.1. (a) The~~ executive director of the commission~~ *department* may issue a complaint to any person or entity on whom an administrative civil penalty may be imposed pursuant to Section 25534. The complaint shall allege the act or failure to act for which the civil penalty is proposed, the provision of law authorizing civil liability, and the proposed civil penalty.

(b) The complaint shall be served by personal notice or certified mail, and shall inform the party so served that a hearing will be conducted within 60 days after the party has been served. The hearing shall be before ~~the commission~~ *a hearing officer*. The complainant may waive the right to a hearing, in which case the ~~commission~~ *department* shall not conduct a hearing.

(c) After any hearing, the ~~commission~~ *department* may adopt, with or without revision, the proposed decision and order of the ~~executive director~~ *hearing officer*.

(d) Orders setting an administrative civil penalty shall become effective and final upon issuance thereof, and any payment shall be made within 30 days. Copies of these orders shall be served by personal service or by registered mail upon the party served with the complaint and upon other persons who appeared at the hearing and requested a copy.

(e) In determining the amount of the administrative civil penalty, the ~~commission~~ *department* shall take into consideration the nature, circumstance, extent, and gravity of the violation or violations, whether the violation is susceptible to removal or resolution, the cost to the state in pursuing the enforcement action, and with respect to the violator, the ability to pay, the effect on ability to continue in business, any voluntary removal or resolution efforts undertaken, any prior history of violations, the degree of culpability, economic savings, if any, resulting from the violation, and such other matters as justice may require.

SEC. 154. Section 25534.2 of the Public Resources Code is amended to read:

25534.2. (a) Within 30 days after service of an order issued under Section 25534.1, any aggrieved party may file with the superior court a petition for writ of mandate for review thereof pursuant to Section 1094.5 of the Code of Civil Procedure. If no aggrieved party petition for a writ of mandate is filed within the time provided by this section, an order of the ~~commission~~ *department* is not subject to review by any court or agency, except that the ~~commission~~ *department* may grant review on its own motion of an order issued under Section 25534.1 after the expiration of the time limits set by this section.

(b) Upon request of the ~~commission~~ *department*, the Attorney General shall institute an action in the appropriate superior court to collect and recover any administrative civil penalties imposed

pursuant to Section 25534.1. The court shall accord priority on its calendar to any action under this subdivision.

(c) Any moneys recovered by the ~~commission~~ *department* pursuant to this section shall be deposited in the General Fund.

SEC. 155. Section 25537 of the Public Resources Code is amended to read:

25537. Upon approval of an application, the ~~commission~~ *department* shall forward to the United States Nuclear Regulatory Commission, the Environmental Protection Agency, and to other appropriate federal agencies, the results of its studies including the environmental impact report on the facility, the written decision on the facility contained in the application, and the ~~commission's~~ *department's* determination of facility safety and reliability as provided in Section 25511.

SEC. 156. Section 25539 of the Public Resources Code is amended to read:

25539. In reviewing notices and applications for certification of modifications of existing facilities, the ~~commission~~ *department* shall adopt rules and regulations as necessary to insure that relevant duties pursuant to this division are carried out.

SEC. 157. Section 25540.3 of the Public Resources Code is amended to read:

25540.3. (a) An applicant for a geothermal powerplant may propose a site to be approved that will accommodate a potential maximum electric generating capacity in excess of the capacity being proposed for initial construction. In addition to the information concerning the initial powerplant and related facilities proposed for construction required pursuant to Section 25520, such application shall include all of the following, to the extent known:

(1) The number, type, and energy source of electric generating units which the site is proposed ultimately to accommodate and the maximum generating capacity for each unit.

(2) The projected installation schedule for each unit.

(3) The impact of the site, when fully developed, on the environment and public health and safety.

(4) The amount and sources of cooling water needed at the fully developed site.

(5) The general location and design of auxiliary facilities planned for each stage of development, including, but not limited to pipelines, transmission lines, waste storage and disposal ~~facilites~~ *facilities*, switchyards, and cooling ponds, lakes, or towers.

(6) Such other information relating to the design, operation, and siting of the facility as the ~~commission~~ *department* may by regulation require.

(b) If an application is filed pursuant to subdivision (a) which proposes a site to be approved which will accommodate a potential maximum electric generating capacity in excess of the capacity being proposed for initial construction, the commission may, in its decision pursuant to subdivision (a) of Section 25540.3, either certify only the initial facility or facilities proposed for initial construction or may certify the initial facility or facilities and find the site acceptable for additional generating capacity of the type tentatively proposed. The maximum allowable amount and type of ~~such~~ additional capacity shall be determined by the commission.

~~If~~

*(c) If* the decision includes a finding that a particular site is suitable to accommodate a particular additional generating capacity, the site shall be designated a potential multiple facility site. The commission may, in determining the acceptability of a potential multiple facility site, specify conditions or criteria necessary to ensure that future additional facilities will not exceed the limitations of the site.

SEC. 158. Section 25541.5 of the Public Resources Code is amended to read:

25541.5. (a) On or before January 1, 2001, the Secretary of the Resources Agency shall review the regulatory program conducted pursuant to this chapter that was certified pursuant to subdivision (k) of Section 15251 of Title 14 of the California Code of Regulations, to determine whether the regulatory program meets the criteria specified in Section 21080.5. If the Secretary of the Resources Agency determines that the regulatory program meets those criteria, ~~the secretary~~ *he or she* shall continue the certification of the regulatory program.

(b) If the Secretary of the Resources Agency continues the certification of the regulatory program, the ~~commission~~

*department* shall amend the regulatory program from time to time, as necessary to permit the secretary to continue to certify the program.

(c) This section does not invalidate the certification of the regulatory program, as it existed on January 1, 2000, pending the review required by subdivision (a).

SEC. 159. Section 25543 of the Public Resources Code is amended to read:

25543. (a) It is the intent of the Legislature to improve the process of siting and licensing new thermal electric powerplants to ensure that these facilities can be sited in a timely manner, while protecting environmental quality and public participation in the siting process.

(b) Notwithstanding Section 7550.5 of the Government Code, the ~~commission~~ *department* shall prepare a report to the Governor and the Legislature on or before March 31, 2000, that identifies administrative and statutory measures that, preserving environmental protections and public participation, would improve the commission's siting and licensing process for thermal powerplants of 50 megawatts and larger. The report shall include, but is not limited to, all of the following:

(1) An examination of potential process efficiencies associated with required hearings, site visits, and documents.

(2) A review of the impacts on both process efficiency and public participation of restrictions on communications between applicants, the public, and staff or decisionmakers.

(3) An assessment of means for improving coordination with the licensing activities of local jurisdictions and participation by other state agencies.

(4) An assessment of organizational structure issues including the adequacy of the amounts and organization of current technical and legal resources.

(5) Recommendations for administrative and statutory measures to improve the siting and licensing process.

(c) The commission may immediately implement any administrative recommendations. Regulations, as identified in paragraph (5), adopted within 180 days of the effective date of this section may be adopted as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of the Government Code. For purposes of that chapter, including

Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health, safety, and general welfare.

SEC. 160. Section 25550 of the Public Resources Code is amended to read:

25550. (a) Notwithstanding subdivision (a) of Section 25522 and Section 25540.6, the commission shall establish a process to issue its final certification for any thermal powerplant and related facilities within six months after the filing of the application for certification that, on the basis of an initial review, shows that there is substantial evidence that the project will not cause a significant adverse impact on the environment or electrical system and will comply with all applicable standards, ordinances, or laws. For purposes of this section, filing has the same meaning as in Section 25522.

(b) Thermal powerplants and related facilities reviewed under this process shall satisfy the requirements of Section 25520 and other necessary information required by the commission, by regulation, including the information required for permitting by each local, state, and regional agency that would have jurisdiction over the proposed thermal powerplant and related facilities, but for the exclusive jurisdiction of the commission, and the information required for permitting by each federal agency that has jurisdiction over the proposed thermal powerplant and related facilities.

(c) After acceptance of an application under this section, the commission shall not be required to issue a six-month final decision on the application if it determines there is substantial evidence in the record that the thermal powerplant and related facilities may result in a significant adverse impact on the environment or electrical system or does not comply with an applicable standard, ordinance, or law. Under this circumstance, the commission shall make its decision in accordance with subdivision (a) of Section 25522 and Section 25540.6, and a new application shall not be required.

(d) For an application that the commission accepts under this section, all local, regional, and state agencies that would have had jurisdiction over the proposed thermal powerplant and related facilities, but for the exclusive jurisdiction of the

commission, shall provide their final comments, determinations, or opinions within 100 days after the filing of the application. The regional water quality control boards, as established pursuant to Chapter 4 (commencing with Section 13200) of Division 7 of the Water Code, shall retain jurisdiction over any applicable water quality standard that is incorporated into any final certification issued pursuant to this chapter.

(e) Thermal powerplants and related facilities that demonstrate superior environmental or efficiency performance shall receive priority in review.

(f) With respect to a thermal powerplant and related facilities reviewed under the process established by this chapter, it shall be shown that the applicant has a contract with a general contractor and has contracted for an adequate supply of skilled labor to construct, operate, and maintain the plant.

(g) With respect to a thermal powerplant and related facilities reviewed under the process established by this chapter, it shall be shown that the thermal powerplant and related facilities complies with all regulations adopted by the commission that ensure that an application addresses disproportionate impacts in a manner consistent with Section 65040.12 of the Government Code.

(h) To implement this section, the ~~commission~~ *department* may adopt emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 2 of Division 3 of Title 2 of the Government Code. For purposes of that chapter, including without limitation, Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health, safety, and general welfare.

(i) This section shall remain in effect until January 1, 2007, and as of that date is repealed unless a later enacted statute, that is enacted before January 1, 2007, deletes or extends that date.

SEC. 161. Section 25550.5 of the Public Resources Code is amended to read:

25550.5. (a) Notwithstanding subdivision (a) of Section 25522 and Section 25540.6, the commission shall establish a process to issue its final decision on an application for certification for the repowering of a thermal powerplant and related facilities within 180 days after the filing of the application

for certification that, on the basis of an initial review, shows that there is substantial evidence that the project will not cause a significant adverse impact on the environment or electrical system and that the project will comply with all applicable standards, ordinances, regulations, and statutes. For purposes of this section, filing has the same meaning as in Section 25522.

(b) The repowering of a thermal powerplant and related facilities reviewed under this process shall satisfy the requirements of Section 25520 and other necessary information required by the ~~commission~~ *department* by regulation, including the information required for permitting by each local, state, and regional agency that would have jurisdiction over the proposed repowering of a thermal powerplant and related facilities, but for the exclusive jurisdiction of the commission, and the information required for permitting by each federal agency that has jurisdiction over the proposed repowering of a thermal powerplant and related facilities.

(c) After an application is filed under this section, the commission shall not be required to issue a final decision on the application within 180 days if it determines there is substantial evidence in the record that the thermal powerplant and related facilities may result in a significant adverse impact on the environment or electrical system or does not comply with an applicable standard, ordinance, regulation, or statute. Under this circumstance, the commission shall make its decision in accordance with subdivision (a) of Section 25522 and Section 25540.6, and a new application shall not be required.

(d) For an application that the commission accepts under this section, any local, regional, or state agency that would have had jurisdiction over the proposed thermal powerplant and related facilities, but for the exclusive jurisdiction of the commission, shall provide its final comments, determinations, or opinions within 100 days after the filing of the application. The regional water quality control board, as established pursuant to Chapter 4 (commencing with Section 13200) of Division 7 of the Water Code, shall retain jurisdiction over any applicable water quality standard that is incorporated into any final certification issued pursuant to this chapter.

(e) The repowering of a thermal powerplant and related facilities that demonstrate superior environmental or efficiency

performance improvement shall receive first priority in review by the commission.

(f) With respect to the repowering of a thermal powerplant and related facilities reviewed under the process established by this chapter, it shall be shown that the applicant has contracted with a general contractor and has contracted for an adequate supply of skilled labor to construct, operate, and maintain the plant.

(g) With respect to a repowering of a thermal powerplant and related facilities reviewed under the process established by this chapter, it shall be shown that the thermal powerplant and related facilities complies with all regulations adopted by the ~~commission~~ *department* that ensure that an application addresses disproportionate impacts in a manner consistent with Section 65040.12 of the Government Code.

(h) To implement this section, the ~~commission~~ *department* may adopt emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that chapter, including, without limitation, Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health, safety, and general welfare.

(i) For purposes of this section, "repowering" means a project for the modification of an existing generation unit of a thermal powerplant that meets all of the following criteria:

(1) The project complies with all applicable requirements of federal, state, and local laws.

(2) The project is located on the site of, and within the existing boundaries of, an existing thermal facility.

(3) The project will not require significant additional rights-of-way for electrical or fuel-related transmission facilities.

(4) The project will result in significant and substantial increases in the efficiency of the production of electricity, including, but not limited to, reducing the heat rate, reducing the use of natural gas, reducing the use and discharge of water, and reducing air pollutants emitted by the project, as measured on a per kilowatthour basis.

(j) This section shall remain in effect only until January 1, 2007, and as of that date is repealed, unless a later enacted

statute, that is enacted before January 1, 2007, deletes or extends that date.

SEC. 162. Section 25601 of the Public Resources Code is amended to read:

25601. The ~~commission~~ *department* shall develop and coordinate a program of research and development in energy supply, consumption, and conservation and the technology of siting facilities and shall give priority to those forms of research and development which are of particular importance to the state, including, but not limited to, all of the following:

(a) Methods of energy conservation specified in Chapter 5 (commencing with Section 25400).

(b) Increased energy use efficiencies of existing thermal electric and hydroelectric powerplants and increased energy efficiencies in designs of thermal electric and hydroelectric powerplants.

(c) Expansion and accelerated development of alternative sources of energy, including geothermal and solar resources, including, but not limited to, participation in large-scale demonstrations of alternative energy systems sited in California in cooperation with federal agencies, regional compacts, other state governments, and other participants. For purposes of this subdivision, "participation" shall be defined as any of the following: (1) direct interest in a project, (2) research and development to insure acceptable resolution of environment and other impacts of alternative energy systems, (3) research and development to improve siting and permitting methodology for alternative energy systems, (4) experiments utilizing the alternative energy systems, and (5) research and development of appropriate methods to insure the widespread utilization of economically useful alternative energy systems. Large-scale demonstrations of alternative energy systems are exemplified by the $100KW_e$ to $100MW_e$ range demonstrations of solar, wind, and geothermal systems contemplated by federal agencies, regional compacts, other state governments, and other participants.

(d) Improved methods of construction, design, and operation of facilities to protect against seismic hazards.

(e) Improved methods of energy-demand forecasting.

(f) To accomplish the purposes of subdivision (c), an amount not more than one-half of the total state funds appropriated for the solar energy research and development program as proposed in the budget prepared pursuant to Section 25604 shall be allocated for large-scale demonstration of alternative energy systems.

SEC. 163. Section 25602 of the Public Resources Code is amended to read:

25602. The ~~commission~~ *department* shall carry out technical assessment studies on all forms of energy and energy-related problems, in order to influence federal research and development priorities and to be informed on future energy options and their impacts, including, in addition to those problems specified in Section 25601, but not limited to, the following:

(a) Advanced nuclear powerplant concepts, fusion, and fuel cells.

(b) Total energy concepts.

(c) New technology related to coastal and offshore siting of facilities.

(d) Expanded use of wastewater as cooling water and other advances in powerplant cooling.

(e) Improved methods of power transmission to permit interstate and interregional transfer and exchange of bulk electric power.

(f) Measures to reduce wasteful and inefficient uses of energy.

(g) Shifts in transportation modes and changes in transportation technology in relation to implications for energy consumption.

(h) Methods of recycling, extraction, processing, fabricating, handling, or disposing of materials, especially materials which require large commitments of energy.

(i) Expanded recycling of materials and its effect on energy consumption.

(j) Implications of government subsidies and taxation and ratesetting policies.

(k) Utilization of waste heat.

(*l*) Use of hydrogen as an energy form.

(m) Use of agricultural products, municipal wastes, and organic refuse as an energy source.

Such assessments may also be conducted in order to determine which energy systems among competing technologies are most compatible with standards established pursuant to this division.

SEC. 164. Section 25603 of the Public Resources Code is amended to read:

25603. For research purposes, the ~~commission~~ *department* shall, in cooperation with other state agencies, participate in the design, construction, and operation of energy-conserving buildings using data developed pursuant to Section 25401, in order to demonstrate the economic and technical feasibility of such designs.

SEC. 165. Section 25603.5 of the Public Resources Code is amended to read:

25603.5. (a) Pursuant to the duties of the ~~commission~~ *department* described in subdivision (a) of Section 25401 and Section 25603, the ~~commission~~ *department* shall conduct a statewide architectural design competition to select outstanding designs for new single-family and multifamily residential units which incorporate passive solar and other energy-conserving design features.

The purpose of the competition, to be known as the "State Solar Medallion Passive Design Competition", is to demonstrate the technical and economic feasibility of passive solar design for residential construction, to speed its commercialization, and to promote its use by developers in housing for moderate-income families in the state. The competition shall be carried out with the assistance and cooperation of the Office of the State Architect.

(b) The competition shall be conducted for each of the state's six regional climate zones. Each climate zone shall have the following four categories of competition:

(1) Single-family dwellings. The construction costs of these dwellings shall not exceed thirty-five thousand dollars ($35,000) and the market price, inclusive of land, construction, permits, fees, overhead and profit shall not exceed fifty-five thousand dollars ($55,000); provided that, if the ~~commission~~ *department* determines that, as of the date construction is completed, the cost of housing construction in this state has increased due to economic inflation since January 1, 1979, the ~~commission~~ *department* may increase these sums by the amount of ~~such~~ inflation as indicated by the construction cost index.

(2) Single-family dwellings. The construction costs of these dwellings shall not exceed fifty-five thousand dollars ($55,000) and the market price, inclusive of land, construction, permits, fees, overhead and profit shall not exceed eighty-five thousand dollars ($85,000); provided that, if the ~~commission~~ *department* determines that, as of the date construction is completed, the cost of housing construction in this state has increased due to economic inflation since January 1, 1979, the ~~commission~~ *department* may increase these sums by the amount of such inflation as indicated by the construction cost index.

(3) Multifamily housing units with a market price or rental value comparable to paragraph (1) of this subdivision.

(4) Multifamily housing units with a market price or rental value comparable to paragraph (2) of this subdivision.

(c) In order to qualify for the competition, entrants shall be a team composed of at least one member from each of the following categories:

(1) A building designer or architect.

(2) A builder, developer, or contractor.

(d) With submission of designs to the competition, all entrants shall agree to comply with the following provisions, if awarded the Solar Medallion or the first place prize in any category:

(1) To build five models of the winning design for single-family home categories if the builder, developer, or contractor member of the winning team constructed more than 30 single-family detached units during the one-year period ending on the date of the award, or

(2) To build three models of the winning design for single-family home categories if the builder, developer, or contractor member of the winning team constructed 30 or fewer single-family detached units during the one-year period ending on the date of the award, or

(3) To build one model of the winning design for all multifamily categories.

(4) To commence construction within 18 months of the announcement of awards.

(5) To permit the ~~commission~~ *department* to install monitoring equipment for measuring energy conservation performance of the structure on all models constructed in compliance with paragraphs (1), (2), and (3) of this subdivision.

(6) To permit the ~~commission~~ *department* to document, exhibit, and publicize the constructed designs.

All models of winning designs shall be built on the site or sites described in the submission or on an alternate site or sites with comparable features.

Cash awards to authors of the winning designs may be made prior to commencement of the agreed upon construction.

All winning designs in the competition shall become the property of the state and may be published and exhibited by the state after completion of competition.

(e) The judging panel for the competition shall consist of the following five jurors:

(1) One representative of the ~~Office~~ *Division* of the State Architect.

(2) One representative of the ~~commission~~ *department*.

(3) One certificated architect.

(4) One representative of the state's lending institutions.

(5) One developer, builder, or contractor.

The nonagency members shall be appointed by the State Architect.

In recognition of the wide variation in construction costs statewide, and in order to ensure fair and equitable competition in all areas of the state, a cost index shall be used to determine different construction cost and market price requirements for each category of competition in the major metropolitan areas of the state. The construction cost and market price figures specified in paragraphs (1) and (2) of subdivision (b) shall be used as the upper limit values on which the index shall be based. Construction cost and market price figures reflecting the diversity in costs in different areas of the state shall be determined in relation to upper limit values specified in this section.

The cost index shall be prepared by the ~~Office~~ *Division* of the State Architect and shall be published in the competition program.

The evaluation shall take place in two stages, with an initial technical review by the ~~commission~~ *department* staff. The staff shall submit to the judging panel a rigorous technical assessment of the anticipated energy conservation performance of all submissions. Final selection shall be made by the judging panel.

Designs submitted to the competition shall be judged on the extent to which they satisfy the following criteria:

(1) Use of passive solar and other energy conserving design features.

(2) Amount of energy savings achieved by the design.

(3) Adaptability of the design to widespread use.

(f) The ~~commission~~ *department* shall be responsible for developing rules and procedures for the conduct of the competition and for the judging, which rules shall ensure anonymity of designs submitted prior to final awarding of prizes, shall ensure impartiality of the judging panel, and shall ensure uniform treatment of competitors.

In administering the competition, the ~~commission~~ *department* shall accomplish the following tasks:

(1) Preparation of a competition program, including climatological data for each of the six regional climate zones.

(2) Distribution of competition information and ongoing publicity.

(3) Development of rules and procedures for competitors and judges.

(4) Preparation of a summary document for the competition, including a portfolio of winning designs and followup publicity.

(5) Instrumentation of winning dwellings constructed in accordance with requirements of this section; instrumentation for measurement of energy conservation performance of the units and ongoing data collection shall be provided by the ~~commission~~ *department* pursuant to Section 25607.

For purposes of administering the competition, the ~~commission~~ *department* shall contract with the ~~Office~~ *Division* of the State Architect for materials and services that cannot be performed by its staff.

(g) Cash awards to authors of the winning designs shall be made on the following basis:

Using the criteria in subdivision (e) of this section, the judging panel shall select, as follows:

(1) The most outstanding design statewide selected from among the first place winners in either of two single-family categories in any of the six climate zones which shall receive the State Solar Medallion Award and five thousand dollars ($5,000)

in addition to the cash award specified in paragraph (3) of this subdivision.

(2) The most outstanding design statewide selected from among the first place winners in either of the two multifamily categories in any of the six climate zones which shall receive the State Solar Medallion Award and five thousand dollars ($5,000) in addition to the cash award specified in paragraph (3) of this subdivision.

(3) The first place designs in each of the four competition categories within each of the six climate zones, which shall each receive a cash award of five thousand dollars ($5,000).

(4) The second place designs in each of the four competition categories within each of the six climate zones, which shall each receive a cash award of two thousand dollars ($2,000).

SEC. 166. Section 25608 of the Public Resources Code is amended to read:

25608. The ~~commission~~ *department* shall confer with officials of federal agencies, including the National Aeronautics and Space Administration, the National Institute of Standards and Technology, the Department of Energy, and the Department of Housing and Urban Development, to coordinate the adoption of regulations pursuant to Sections 25603 and 25605.

SEC. 167. Section 25610 of the Public Resources Code is amended to read:

25610. For purposes of carrying out the provisions of this chapter, the ~~commission~~ *department* may contract with any person for materials and services that cannot be performed by its staff or other state agencies, and may apply for federal grants or any other funding.

SEC. 168. Section 25616 of the Public Resources Code is amended to read:

25616. (a) It is the intent of the Legislature to encourage local agencies to expeditiously review permit applications to site energy projects, and to encourage energy project developers to consider all cost-effective and environmentally superior alternatives that achieve their project objectives.

(b) Subject to the availability of funds appropriated therefor, the ~~commission~~ *department* shall provide technical assistance and grants-in-aid to assist local agencies to do either or both of the following:

(1) Site energy production or transmission projects which are not otherwise subject to the provisions of Chapter 6 (commencing with Section 25500).

(2) Integrate into their planning processes, and incorporate into their general plans, methods to achieve cost-effective energy efficiency.

(c) The ~~commission~~ *department* shall provide assistance at the request of local agencies and shall coordinate that assistance with the assistance provided by the Department of Permit Assistance, created pursuant to Section 15399.50 of the Government Code.

(d) As used in this section, an energy project is any project designed to produce, convert, or transmit energy as one of its primary functions.

SEC. 169. Section 25617 of the Public Resources Code is amended to read:

25617. (a) It is the intent of the Legislature to preserve diversity of energy resources, including diversity of resources used in electric generation facilities, industrial and commercial applications, and transportation.

(b) The ~~commission~~ *department* shall, within the limits of available funds, provide technical assistance and support for the development of petroleum diesel fuels which are as clean or cleaner than alternative clean fuels and clean diesel engines. That technical assistance and support may include the creation of research, development, and demonstration programs.

SEC. 170. Section 25618 of the Public Resources Code is amended to read:

25618. (a) The ~~commission~~ *department* shall facilitate development and commercialization of ultra low- and zero-emission electric vehicles and advanced battery technologies, as well as development of an infrastructure to support maintenance and fueling of those vehicles in California. Facilitating commercialization of ultra low- and zero-emission electric vehicles in California shall include, but not be limited to, the following:

(1) The ~~commission~~ *department* may, in cooperation with county, regional, and city governments, the state's public and private utilities, and the private business sector, develop plans for accelerating the introduction and use of ultra low- and zero-emission electric vehicles throughout California's air

quality nonattainment areas, and for accelerating the development and implementation of the necessary infrastructure to support the planned use of those vehicles in California. These plans shall be consistent with, but not limited to, the criteria for similar efforts contained in federal loan, grant, or matching fund projects.

(2) In coordination with other state agencies, the ~~commission~~ *department* shall seek to maximize the state's use of federal programs, loans, and matching funds available to states for ultra low- and zero-emission electric vehicle development and demonstration programs, and infrastructure development projects.

(b) Priority for implementing demonstration projects under this section shall be directed toward those areas of the state currently in a nonattainment status with federal and state air quality regulations.

SEC. 171. Section 25619 of the Public Resources Code is amended to read:

25619. (a) The ~~commission~~ *department* shall develop a grant program to offset a portion of the cost of eligible solar energy systems. The goals of the program are all of the following:

(1) To make solar energy systems cost competitive with alternate forms of energy.

(2) To provide support for electricity storage capabilities in solar electric applications to facilitate enhanced reliability in the event of a power outage.

(3) To encourage the purchase by California residents of California-made solar systems.

(b) (1) The grant for an eligible solar energy system shall be based on either the performance of, or the type of, the solar energy system, as the ~~commission~~ *department* determines, and the amount of the grant shall not exceed seven hundred fifty dollars ($750). Except as provided in paragraph (2), if a grant is awarded pursuant to this section for an eligible solar energy system that produces electricity, no grant shall be made for that system from any other grant program administered by the ~~commission~~ *department*.

(2) An applicant who receives a grant for a photovoltaic solar energy system from another program administered by the

~~commission~~ *department*, may also receive a grant for that system pursuant to this section, if all of the following conditions are met:

(A) The system will accomplish the purpose specified in paragraph (3) of subdivision (a).

(B) The system is an eligible solar energy system.

(C) The system includes adequate battery storage, as determined by the ~~commission~~ *department*.

(c) Purchasers, sellers, owner-builders, or owner-developers of the solar energy system may apply for a grant under this section. An owner-builder or owner-developer of a new single-family dwelling on which a system is installed may elect not to apply for a grant on a solar energy system installed on a new single-family dwelling. If an owner-builder or owner-developer of a new single-family dwelling on which a system is installed elects not to apply for the grant for a solar energy system, the purchaser of the dwelling may apply for the grant. The seller, owner-builder, or owner-developer shall reflect the amount of the grant received on the purchaser's bill of sale.

(d) The ~~commission~~ *department* shall develop and adopt guidelines to provide appropriate consumer protection under the grant program and to govern other aspects of the grant program. The guidelines shall be adopted at a publicly noticed meeting and all interested parties shall be provided an opportunity to comment either orally or in writing. Not less than 30 days notice shall be provided for the public meeting. Subsequent substantive changes to adopted guidelines shall be adopted by the ~~commission~~ *department* at a public meeting upon written notice to the public of not less than 10 days. The guidelines adopted pursuant to this subdivision are not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Division 3 of Title 2 of the Government Code.

(e) The ~~commission~~ *department* shall require installers of solar energy systems funded through grants under this section to be properly licensed to do so by the Contractors' State License Board. This requirement does not apply to the owner of a single-family dwelling who installs a solar energy system on his or her single-family dwelling.

(f) The award of a grant pursuant to this section is subject to appeal to the ~~commission~~ *department* upon a showing that factors other than those described in the guidelines adopted by the

~~commission~~ *department* were applied in making the award. Any action taken by an applicant to apply for, or become or remain eligible to receive an award, including satisfying conditions specified by the ~~commission~~ *department*, does not constitute the rendering of goods, services, or a direct benefit to the ~~commission~~ *department*. Awards made pursuant to this section are not subject to any repayment requirements of Chapter 7.4 (commencing with Section 25645).

(g) For the purposes of this section, the following terms have the following meanings:

(1) "Cost" includes equipment, installation charges, and all components necessary to carry out the intended use of the system if those components are an integral part of the system. In the case of a system that is leased, "cost" means the principal recovery portion of all lease payments scheduled to be made during the full term of the lease, which is the cost incurred by the taxpayer in acquiring the solar energy system, excluding interest charges and maintenance expenses.

(2) (A) "Eligible solar energy system" means any new, previously unused solar energy device whose primary purpose is to provide for the collection, conversion, transfer, distribution, storage, or control of solar energy for water heating or electricity generation, and that meets applicable standards and requirements imposed by state and local permitting authorities, including, but not limited to, the National Electric Code. Eligible solar energy systems for water heating purposes shall be certified by the Solar Rating and Certification Corporation (SRCC) or any other nationally recognized certification agency that certifies complete systems. Major components of eligible solar energy systems for electricity generation shall be listed by a certified testing agency, such as the Underwriters Laboratory. In the absence of certification, major components of eligible solar energy systems for electricity generation shall comply with specifications adopted by the ~~commission~~ *department*.

(B) "Eligible solar energy system" does not include any of the following:

(i) Wind energy devices that produce electricity or provide mechanical work.

(ii) Additions to or augmentation of existing solar energy systems.

(iii) A device that produces electricity for a structure unless the device is interconnected and operates in parallel with the electric grid.

(C) Eligible solar energy systems shall have a warranty of not less than three years.

(3) "Installed" means placed in a functionally operative state.

(h) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

SEC. 172. Section 25620 of the Public Resources Code is amended to read:

25620. The Legislature hereby finds and declares all of the following:

(a) It is in the best interests of the people of this state that the quality of life of its citizens be improved by providing environmentally sound, safe, reliable, and affordable energy services and products.

(b) To improve the quality of life of this state's citizens, it is proper and appropriate for the state to undertake public interest energy research, development, and demonstration projects that are not adequately provided for by competitive and regulated energy markets.

(c) Public interest energy research, demonstration, and development projects should advance energy science or technologies of value to California citizens and should be consistent with the policies of Section 399.7 of the Public Utilities Code.

(d) The ~~commission~~ *department* should use its adopted "Five-Year Investment Plan, 2002 Through 2006 for the Public Interest Energy Research (PIER) Program (Volume 1)" (P600-01-004a, March 1, 2001) to ensure compliance with the policies and provisions of Section 399.7 of the Public Utilities Code in the administration of public interest energy research, demonstration, and development programs.

SEC. 173. Section 25620.1 of the Public Resources Code is amended to read:

25620.1. (a) The ~~commission~~ *department* shall develop, implement, and administer the Public Interest Research, Development, and Demonstration Program that is hereby created.

The program shall include a full range of research, development, and demonstration activities that, as determined by the ~~commission~~ *department*, are not adequately provided for by competitive and regulated markets. The ~~commission~~ *department* shall administer the program consistent with the policies of Section 399.7 of the Public Utilities Code.

(b) The goal of the program is to provide public value for the benefit of California and its citizens through the development of technologies which will improve environmental quality, enhance system reliability, increase efficiency of energy-using technologies, lower system costs, or provide other tangible benefits.

(c) To achieve the goal established in subdivision (b), the ~~commission~~ *department* shall adopt a portfolio approach for the program that does all of the following:

(1) Effectively balances the risks, benefits, and time horizons for various activities and investments that will provide tangible benefits for California electricity ratepayers.

(2) Emphasizes innovative energy supply and end use technologies, focusing on their reliability, affordability, and environmental attributes.

(3) Includes projects that have the potential to enhance transmission and distribution capabilities.

(4) Includes projects that have the potential to enhance the reliability, peaking power, and storage capabilities of renewable energy.

(5) Demonstrates a balance of benefits to all sectors that contribute to the funding under Section 399.8 of the Public Utilities Code.

(6) Addresses key technical and scientific barriers.

(7) Demonstrates a balance between short-term, mid-term, and long-term potential.

(8) Ensures that prior, current, and future research not be unnecessarily duplicated.

(9) Provides for the future market utilization of projects funded through the program.

(d) The ~~commission~~ *department* shall review the portfolio adopted pursuant to subdivision (c) in accordance with the "Five-Year Investment Plan, 2002 Through 2006 for the Public

Interest Energy Research (PIER) Program (Volume 1)" (P600-01-004a, March 1, 2001).

(e) The term "award," as used in this chapter, may include, but is not limited to, contracts, grants, interagency agreements, loans, and other financial agreements designed to fund public interest research, demonstration, and development projects or programs.

SEC. 174. Section 25620.2 of the Public Resources Code is amended to read:

25620.2. (a) To ensure the efficient implementation and administration of the Public Interest Research, Development, and Demonstration Program, the ~~commission~~ *department* shall do both of the following:

(1) Develop procedures for the solicitation of award applications for project or program funding, and to ensure efficient program management.

(2) Evaluate and select programs and projects, based on merit, that will be funded under the program.

(b) The ~~commission~~ *department* shall adopt regulations to implement the program, in accordance with the following procedures:

(1) Prepare a preliminary text of the proposed regulation and provide a copy of the preliminary text to any person requesting a copy.

(2) Provide public notice of the proposed regulation to any person who has requested notice of the regulations prepared by the ~~commission~~ *department*. The notice shall contain all of the following:

(A) A clear overview explaining the proposed regulation.

(B) Instructions on how to obtain a copy of the proposed regulations.

(C) A statement that if a public hearing is not scheduled for the purpose of reviewing a proposed regulation, any person may request, not later than 15 days prior to the close of the written comment period, a public hearing conducted in accordance with ~~commission~~ *departmental* procedures.

(3) Accept written public comments for 30 calendar days after providing the notice required in paragraph (2).

(4) Certify that all written comments were read and considered by the ~~commission~~ *department*.

(5) Place all written comments in a record that includes copies of any written factual support used in developing the proposed regulation, including written reports and copies of any transcripts or minutes in connection with any public hearings on the adoption of the regulation. The record shall be open to public inspection and available to the courts.

(6) Provide public notice of any substantial revision of the proposed regulation at least 15 days prior to the expiration of the deadline for public comments and comment period using the procedures provided in paragraph (2).

(7) Conduct public hearings, if a hearing is requested by an interested party, that shall be conducted in accordance with ~~commission~~ *departmental* procedures.

(8) Adopt any proposed regulation at ~~a regularly scheduled and~~ noticed meeting of the ~~commission~~ *department*. The regulation shall become effective immediately unless otherwise provided by the ~~commission~~ *department*.

(9) Publish any adopted regulation in a manner that makes copies of the regulation easily available to the public. Any adopted regulation shall also be made available on the Internet. The ~~commission~~ *department* shall transmit a copy of an adopted regulation to the Office of Administrative Law for publication, or, if the ~~commission~~ *department* determines that printing the regulation is impractical, an appropriate reference as to where a copy of the regulation may be obtained.

(10) Notwithstanding any other provision of law, this subdivision provides an interim exception from the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code for regulations required to implement Sections 25620.1 and 25620.2 that are adopted under the procedures specified in this subdivision.

(11) This subdivision shall become inoperative on January 1, 2007, unless a later enacted statute deletes or extends that date. However, after January 1, 2007, the ~~commission~~ *department* is not required to repeat any procedural step in adopting a regulation that has been completed before January 1, 2007, using the procedures specified in this subdivision.

SEC. 175. Section 25620.3 of the Public Resources Code is amended to read:

25620.3. (a) The ~~commission~~ *department* may, consistent with the requirements of this chapter, provide awards to any individual or entity for planning, implementation, and administration of projects or programs selected pursuant to Section 25620.5.

(b) The ~~commission~~ *department* may provide an award to a project or program that includes a group of related projects, or to a party who aggregates projects that directly benefit from the award.

(c) The ~~commission~~ *department* may establish multiparty agreements. In a multiparty agreement, the ~~commission~~ *department* may be a signatory to a common agreement among two or more parties. These agreements include, but are not limited to, cofunding, leveraged research, collaborations, and membership arrangements. If the ~~commission~~ *department* enters into these agreements, it shall be a party to these agreements and may share in the roles, responsibilities, risks, investments, and results.

(d) The ~~commission~~ *department* may issue awards that include the ability to make advance payments to prime contractors, to enable them to make advance payments to a subcontractor that is a federal agency, national laboratory, or state entity, on the condition that the subcontract is binding and enforceable and includes specific performance milestones.

(e) The ~~commission~~ *department* may issue awards that include the ability to assign tasks on a work authorization basis.

(f) Prior to making any award pursuant to this chapter for a research, development, or demonstration program or project, the ~~commission~~ *department* shall identify the expected costs and any qualitative or quantitative benefits of the proposed program or project.

SEC. 176. Section 25620.4 of the Public Resources Code is amended to read:

25620.4. (a) To the extent that intellectual property is developed under this chapter, an equitable share of rights in the intellectual property or in the benefits derived therefrom shall accrue to the State of California.

(b) The ~~commission~~ *department* may determine what share, if any, of the intellectual property, or the benefits derived therefrom, shall accrue to the state. The ~~commission~~ *department*

may negotiate sharing mechanisms for intellectual property or benefits with award recipients.

SEC. 177. Section 25620.5 of the Public Resources Code is amended to read:

25620.5. (a) The ~~commission~~ *department* may solicit applications for awards, using a sealed competitive bid, competitive negotiation process, ~~commission-issued~~ *department-issued* intradepartmental master agreement, the methods for selection of professional services firms set forth in Chapter 10 (commencing with Section 4525) of Division 5 of Title 1 of the Government Code, interagency agreement, single source, or sole source method. When scoring teams are convened to review and score proposals, the scoring teams may include persons not employed by the ~~commission~~ *department*, as long as employees of the state constitute no less than 50 percent of the membership of the scoring team. A person participating on a scoring team may not have any conflict of interest with respect to the proposal before the scoring team.

(b) A sealed bid method may be used when goods and services to be acquired can be described with sufficient specificity so that bids can be evaluated against specifications and criteria set forth in the solicitation for bids.

(c) The ~~commission~~ *department* may use a competitive negotiation process in any of the following circumstances:

(1) Whenever the desired award is not for a fixed price.

(2) Whenever project specifications cannot be drafted in sufficient detail so as to be applicable to a sealed competitive bid.

(3) Whenever there is a need to compare the different price, quality, and structural factors of the bids submitted.

(4) Whenever there is a need to afford bidders an opportunity to revise their proposals.

(5) Whenever oral or written discussions with bidders concerning the technical and price aspects of their proposals will provide better results to the state.

(6) Whenever the price of the award is not the determining factor.

(d) The ~~commission~~ *department* may establish interagency agreements.

(e) The ~~commission~~ *department* may provide awards on a single source basis by choosing from among two or more parties

or by soliciting multiple applications from parties capable of supplying or providing similar goods or services. The cost to the state shall be reasonable and the ~~commission~~ *department* may only enter into a single source agreement with a particular party if the ~~commission~~ *department* determines that it is in the state's best interests.

(f) The ~~commission~~ *department*, in accordance with subdivision (g) and in consultation with the Department of General Services, may provide awards on a sole source basis when the cost to the state is reasonable and the ~~commission~~ *department* makes any of the following determinations:

(1) The proposal was unsolicited and meets the evaluation criteria of this chapter.

(2) The expertise, service, or product is unique.

(3) A competitive solicitation would frustrate obtaining necessary information, goods, or services in a timely manner.

(4) The award funds the next phase of a multiphased proposal and the existing agreement is being satisfactorily performed.

(5) When it is determined by the ~~commission~~ *department* to be in the best interests of the state.

(g) The ~~commission~~ *department* may not use a sole source basis for an award pursuant to subdivision (f), unless both of the following conditions are met:

(1) The ~~commission~~ *department*, at least 30 days prior to taking an action pursuant to subdivision (f), notifies the Joint Legislative Budget Committee, in writing, of its intent to take the proposed action.

(2) The Joint Legislative Budget Committee either approves or does not disapprove the proposed action within 30 days from the date of notification required by paragraph (1).

(h) The provisions of this section are severable. If any provision of this section or its application is held to be invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 178. Section 25620.6 of the Public Resources Code is amended to read:

25620.6. The ~~commission~~ *department*, in consultation with the Department of General Services, may purchase insurance coverage necessary to implement an award. Funding for the

purchase of insurance may be made from money in the Public Interest Research, Development, and Demonstration Fund created pursuant to Section 384 of the Public Utilities Code.

SEC. 179. Section 25620.7 of the Public Resources Code is amended to read:

25620.7. (a) The ~~commission~~ *department* may contract for, or through interagency agreement obtain, technical, scientific, or administrative services or expertise from one or more entities, to support the program. Funding for this purpose shall be made from money in the Public Interest Research, Development, and Demonstration Fund.

(b) The ~~commission~~ *department* may select the services or expertise described in subdivision (a), pursuant to Section 25620.5. In the event that contracts or interagency agreements have been made to multiple entities and their subcontractors for similar purposes, the ~~commission~~ *department* may select from among those entities the particular expertise needed for a specified type of work. Selection of the particular expertise may be based solely on a review of qualifications, including the specific expertise required, availability of the expertise, or access to a resource of special relevance to the work, including, but not limited to, a database, model, technical facility, or a collaborative or institutional affiliation that will expedite the quality and performance of the work.

SEC. 180. Section 25620.8 of the Public Resources Code is amended to read:

25620.8. The ~~commission~~ *department* shall prepare and submit to the Legislature an annual report, not later than March 31 of each year, on awards made pursuant to this chapter. The report shall include information on the names of award recipients, the amount of awards, and the types of projects funded, an evaluation of the success of any funded projects, and any recommendations for improvements in the program. The report shall set forth the actual costs of programs or projects funded by the ~~commission~~ *department*, the results achieved, and how the actual costs and results compare to the expected costs and benefits. The ~~commission~~ *department* shall establish procedures for protecting confidential or proprietary information and shall consult with all interested parties in the preparation of the annual report.

SEC. 181. Section 25620.9 of the Public Resources Code is amended to read:

25620.9. (a) Not later than three months after the enactment of this section, the ~~commission~~ *department* shall designate a panel of independent experts with special expertise in public interest research, development, and demonstration programs. In order to ensure continuity in the evaluation of the public interest energy research, demonstration, and development projects, the ~~commission~~ *department*, when practicable, shall select experts that served on prior independent review panels. The panel shall conduct a comprehensive evaluation of the program established pursuant to this chapter. The evaluation shall include a review of the public value of programs established pursuant to this chapter, including, but not limited to, the monetary and nonmonetary benefits to public health and the environment, and the benefit of providing funds for technology development that would otherwise not be funded.

(b) Not later than 15 months after the enactment of this section, the panel designated pursuant to subdivision (a) shall submit a preliminary report to the Governor and to the Legislature on its findings and recommendations on the implementation of the program established pursuant to this chapter. The panel, not later than 30 months after the enactment of this section, shall submit a final report to the Governor and to the Legislature, including any additional findings and recommendations regarding implementation of the program.

(c) This section shall remain in effect only until July 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2007, deletes or extends that date.

SEC. 182. Section 25620.10 of the Public Resources Code is amended to read:

25620.10. (a) The ~~commission~~ *department* shall develop and implement a grant program to offset a portion of the costs of eligible distributed generation systems.

(b) A grant for an eligible distributed generation system shall be based on either the performance or type of distributed generation system, as determined by the ~~commission~~ *department*. The amount of the grant shall not exceed the lesser of 10 percent of the costs of the eligible distributed generation system or two thousand dollars ($2,000).

(c) An applicant who receives a grant for an eligible distributed generation system from another program administered by the ~~commission~~ *department* may also receive a grant for that system pursuant to this section if the system possesses adequate black-start capability, as determined by the ~~commission~~ *department*.

(d) Purchasers, sellers, owner-builders, or owner-developers of the eligible distributed generation system may apply for a grant under this section. If the owner-developer or owner-builder of the property on which a system is installed elects to not apply for a grant under this section, the purchaser of the property may apply for the grant. The seller, owner-builder, or owner-developer shall reflect the amount of the grant received on the purchaser's bill of sale.

(e) The ~~commission~~ *department* shall develop and adopt guidelines to provide appropriate consumer protection under the grant program and to govern other aspects of the grant program, which shall be made available to the public. Not less than 30 days' notice shall be provided for a public meeting to adopt the guidelines. Public meetings to adopt subsequent substantive guideline changes require written public notice of not less than 10 days. The guidelines adopted pursuant to this subdivision are not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(f) The ~~commission~~ *department* shall require installers of eligible distributed generation systems funded through grants under this section to be properly licensed to do so by the Contractors' State License Board.

(g) The award of a grant pursuant to this section is subject to appeal to the ~~commission~~ *department* upon a showing that factors other than those adopted by the ~~commission~~ *department* were applied in making the award. Any action taken by an applicant to apply for, or become or remain eligible to receive a grant award, including satisfying conditions specified by the ~~commission~~ *department*, does not constitute the rendering of goods, services, or a direct benefit to the ~~commission~~ *department*. Awards made pursuant to this section are not subject to any repayment requirements of Chapter 7.4 (commencing with Section 25645).

(h) Eligible distributed generation systems shall have a warranty of not less than three years.

(i) For purposes of this section, the following terms have the following meanings:

(1) "Black-start capability" means the capability to provide electricity to the customer in the event of an outage.

(2) "Cost" includes equipment, installation charges and all components necessary to carry out the intended use of the system if those components are an integral part of the system. In the case of a system that is leased, "cost" means the principal recovery portion of all lease payments scheduled to be made during the full term of the lease, which is the costs incurred by the customer in acquiring the distributed generation system, excluding interest charges and maintenance expenses.

(3) "Distributed generation" means any onsite generation, interconnected and operating in parallel with the electricity grid, that is used solely to meet onsite electric load.

(4) "Eligible distributed generation system" means any new, previously unused distributed generation system, interconnected and operating in parallel with the electricity grid, certified by the ~~commission~~ *department* to provide environmental and system reliability benefits equal to or greater than the following specifications:

(A) Forty percent total fuel-to-energy conversion efficiency for any nonrenewable fuel system.

(B) Thirty-five percent total fuel-to-energy conversion efficiency for any renewable fuel system.

(C) Emission of oxides of nitrogen and any other applicable criteria pollutants that equal or exceed Best Achievable Control Technology (BACT) for natural gas fired central station powerplants. The State Air Resources Board shall, in consultation with the ~~commission~~ *department*, prepare and update specifications for those emissions and other applicable criteria pollutants.

(D) Ninety percent total system reliability.

(5) Potentially certifiable technologies include all of the following:

(A) Microcogeneration.

(B) Gas turbines.

(C) Fuel cells.

(D) Electricity storage technologies in systems not eligible for grants under Section 25619.

(E) Reciprocating internal combustion engines.

(6) "Installed" means placed in a functionally operative state.

(j) This section shall remain in effect only until January 1, 2006, and as of that date is repealed unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

SEC. 183. Section 25620.11 of the Public Resources Code is amended to read:

25620.11. The ~~commission~~ *department* shall regularly convene an advisory board that shall make recommendations to guide the ~~commission's~~ *department's* selection of programs and projects to be funded under this chapter. The advisory board shall include as appropriate, but not be limited to, representatives from the Public Utilities Commission, consumer organizations, environmental organizations, and electrical corporations subject to the funding requirements of Section 381 of the Public Utilities Code.

SEC. 184. Section 25630 of the Public Resources Code is amended to read:

25630. (a) The ~~commission~~ *department* shall establish a small business energy assistance low-interest revolving loan program to fund the purchase of equipment for alternative technology energy projects for California's small businesses.

(b) Loan repayments, interest, and royalties shall be deposited in the Energy Technologies Research, Development, and Demonstration Account. The interest rate shall be based on surveys of existing financial markets and at rates not lower than the Pooled Money Investment Account.

SEC. 185. Section 25678 of the Public Resources Code is amended to read:

25678. The ~~commission~~ *department* shall establish a grant program which provides a forty cent ($0.40) per gallon production incentive for liquid fuels fermented in this state from biomass and biomass-derived resources produced in this state. Eligible liquid fuels include, but are not limited to, ethanol, methanol, and vegetable oils. Eligible biomass resources include, but are not limited to, agricultural products and byproducts, forestry products and byproducts, and industrial wastes. The

~~commission~~ *department* shall adopt rules and regulations necessary to implement the program. Prior to determining an applicant eligible for participation in the production incentive program, the ~~commission~~ *department* shall find, among other things, that the production techniques employed will lead to a net increase in the amount of energy available for consumption.

SEC. 186. Section 25679 of the Public Resources Code is amended to read:

25679. Applicants for a grant under this chapter shall submit an application on a form prescribed by the ~~commission~~ *department* which is responsible for administration of the program.

SEC. 187. Section 25696 of the Public Resources Code is amended to read:

25696. The ~~commission~~ *department* may assist California-based energy technology and energy conservation firms to export their technologies, products, and services to international markets.

The ~~commission~~ *department* may do all of the following:

(a) Conduct a technical assistance program to help California energy companies improve export opportunities and enhance foreign buyers' awareness of and access to energy technologies and services offered by California-based companies. Technical assistance activities may include, but are not limited to, an energy technology export information clearinghouse, a referral service, a trade lead service consulting services for financing, market evaluation, and legal counseling, and information seminars.

(b) Perform research studies and solicit technical advice to identify international market opportunities.

(c) Assist California energy companies to evaluate project or site-specific energy needs of international markets.

(d) Assist California energy companies to identify and address international trade barriers restricting energy technology exports, including unfair trade practices and discriminatory trade laws.

(e) Develop promotional materials in conjunction with California energy companies to expand energy technology exports.

(f) Establish technical exchange programs to increase foreign buyers' awareness of suitable energy technology uses.

(g) Prepare equipment performance information to enhance potential export opportunities.

(h) Coordinate activities with state, federal, and international donor agencies to take advantage of trade promotion and financial assistance efforts offered.

SEC. 188. Section 25696.5 of the Public Resources Code is amended to read:

25696.5. (a) Every California-based energy technology and energy conservation firm awarded direct financial assistance pursuant to Section 25696 shall reimburse the ~~commission~~ *department* for that assistance, when both of the following conditions have been met:

(1) The assistance was substantial and essential for the completion of a specific identifiable project.

(2) The resulting project is producing revenues.

(b) All moneys appropriated for purposes of this chapter and all moneys received by the ~~commission~~ *department* as reimbursement under this section shall be deposited in the Energy Resources Programs Account and shall be available, when appropriated by the Legislature, for the purposes of this chapter.

SEC. 189. Section 25697 of the Public Resources Code is amended to read:

25697. The ~~commission~~ *department* shall consult with the California State World Trade Commission with respect to conducting overseas trade missions, trade shows, and trade exhibits. Consultation may include interagency agreements, cosponsorship, and memoranda of understanding for joint overseas trade activities.

SEC. 190. Section 25700 of the Public Resources Code is amended to read:

25700. The ~~commission~~ *department* shall, in accordance with the provisions of this chapter, develop contingency plans to deal with possible shortages of electrical energy or fuel supplies to protect public health, safety, and welfare.

SEC. 191. Section 25701 of the Public Resources Code is amended to read:

25701. (a) Within six months after the effective date of this division, each electric utility, gas utility, and fuel wholesaler or manufacturer in the state shall prepare and submit to the

~~commission~~ *department* a proposed emergency load curtailment plan or emergency energy supply distribution plan setting forth proposals for identifying priority loads or users in the event of a sudden and serious shortage of fuels or interruption in the generation of electricity.

(b) The ~~commission~~ *department* shall encourage electric utilities to cooperate in joint preparation of an emergency load curtailment plan or emergency energy distribution plan. If such a cooperative plan is developed between two or more electric utilities, such utilities may submit such joint plans to the ~~commission~~ *department* in place of individual plans required by subdivision (a) of this section.

(c) The ~~commission~~ *department* shall collect from all relevant governmental agencies, including, but not limited to, the Public Utilities Commission and the Office of Emergency Services, any existing contingency plans for dealing with sudden energy shortages or information related thereto.

SEC. 192. Section 25702 of the Public Resources Code is amended to read:

25702. The ~~commission~~ *department* shall, after one or more public hearings, review the emergency load curtailment program plans or emergency energy supply distribution plans submitted pursuant to Section 25701, and, within one year after the effective date of this division, the ~~commission~~ *department* shall approve and recommend to the Governor and the Legislature plans for emergency load curtailment and energy supply distribution in the event of a sudden energy shortage. Such plans shall be based upon the plans presented by the electric utilities, gas utilities, and fuel wholesalers or manufacturers, information provided by other governmental agencies, independent analysis and study by the ~~commission~~ *department* and information provided at the hearing or hearings. Such plans shall provide for the provision of essential services, the protection of public health, safety, and welfare, and the maintenance of a sound basic state economy. Provision shall be made in such plans to eliminate wasteful, uneconomic, and unnecessary uses of energy in times of shortages and to differentiate curtailment of energy consumption by users on the basis of ability to accommodate such curtailments. Such plans shall also specify the authority of

and recommend the appropriate actions of state and local governmental agencies in dealing with energy shortages.

SEC. 193. Section 25703 of the Public Resources Code is amended to read:

25703. Within four months after the date of certification of any new facility, the ~~commission~~ *department* shall review and revise the recommended plans based on additional new capacity attributed to any such facility. The ~~commission~~ *department* shall, after one or more public hearings, review the plans at least every five years from the approval of the initial plan as specified in Section 25702.

SEC. 194. Section 25704 of the Public Resources Code is amended to read:

25704. The ~~commission~~ *department* shall carry out studies to determine if potential serious shortages of electrical, natural gas, or other sources of energy are likely to occur and shall make recommendations to the Governor and the Legislature concerning administrative and legislative actions required to avert possible energy supply emergencies or serious fuel shortages, including, but not limited to, energy conservation and energy development measures, to grant authority to specific governmental agencies or officers to take actions in the event of a sudden energy shortage, and to clarify and coordinate existing responsibilities for energy emergency actions.

SEC. 195. Section 25705 of the Public Resources Code is amended to read:

25705. If the ~~commission~~ *department* determines that all reasonable conservation, allocation, and service restriction measures may not alleviate an energy supply emergency, and upon a declaration by the Governor or by an act of the Legislature that a threat to public health, safety, and welfare exists and requires immediate action, the ~~commission~~ *department* shall authorize the construction and use of generating facilities under such terms and conditions as specified by the ~~commission~~ *department* to protect the public interest.

Within 60 days after the authorization of construction and use of such generating facilities, the ~~commission~~ *department* shall issue a report detailing the full nature, extent, and estimated duration of the emergency situation and making recommendations to the Governor and the Legislature for further

energy conservation and energy supply measures to alleviate the emergency situation as alternatives to use of such generating facilities.

SEC. 196. Section 25720 of the Public Resources Code is amended to read:

25720. (a) By January 31, 2002, the ~~commission~~ *department* shall examine the feasibility, including possible costs and benefits to consumers and impacts on fuel prices for the general public, of operating a strategic fuel reserve to insulate California consumers and businesses from substantial short-term price increases arising from refinery outages and other similar supply interruptions. In evaluating the potential operation of a strategic fuel reserve, the ~~commission~~ *department* shall consult with other state agencies, including, but not limited to, the State Air Resources Board.

(b) The ~~commission~~ *department* shall examine and recommend an appropriate level of reserves of fuel, but in no event may the reserve be less than the amount of refined fuel that the ~~commission~~ *department* estimates could be produced by the largest California refiner over a two week period. In making this examination and recommendation, the ~~commission~~ *department* shall take into account all of the following:

(1) Inventories of California-quality fuels or fuel components reasonably available to the California market.

(2) Current and historic levels of inventory of fuels.

(3) The availability and cost of storage of fuels.

(4) The potential for future supply interruptions, price spikes, and the costs thereof to California consumers and businesses.

(c) The ~~commission~~ *department* shall evaluate a mechanism to release fuel from the reserve that permits any customer to contract at any time for the delivery of fuel from the reserve in exchange for an equal amount of fuel that meets California specifications and is produced from a source outside of California that the customer agrees to deliver back to the reserve within a time period to be established by the ~~commission~~ *department*, but not longer than six weeks.

(d) The ~~commission~~ *department* shall evaluate reserve storage space from existing facilities.

(e) The ~~commission~~ *department* shall evaluate a reserve operated by an independent operator that specializes in

purchasing and storing fuel, and is selected through competitive bidding.

(f) (1) Not later than January 31, 2002, the ~~commission~~ *department* and the State Air Resources Board, in consultation with the other state and local agencies the ~~commission~~ *department* deems necessary, shall develop and adopt recommendations for the Governor and Legislature on a California Strategy to Reduce Petroleum Dependence.

(2) The strategy shall include a base case forecast by the ~~commission~~ *department* of gasoline, diesel, and petroleum consumption in years 2010 and 2020 based on current best estimates of economic and population growth, petroleum base fuel supply and availability, vehicle efficiency, and utilization of alternative fuels and advanced transportation technologies.

(3) The strategy shall include recommended statewide goals for reductions in the rate of growth of gasoline and diesel fuel consumption and increased transportation energy efficiency and utilization of nonpetroleum based fuels and advanced transportation technologies, including alternative fueled vehicles, hybrid vehicles, and high fuel efficiency vehicles.

(g) The studies required by this section shall be conducted in conjunction with any other studies required by acts enacted during the 2000 portion of the 1999–2000 Regular Session dealing with gasoline prices.

SEC. 197. Section 25721 of the Public Resources Code is amended to read:

25721. The ~~commission~~ *department* shall report its findings and recommendations to the Governor, the Legislature, and the Attorney General by January 31, 2002. If the ~~commission~~ *department* finds that it would be feasible to operate a strategic gas reserve to insulate California consumers and businesses from substantial, short-term price increases arising from refinery outages or other similar supply interruptions, the ~~commission~~ *department* shall request specific statutory authority and funding for establishment of a reserve.

SEC. 198. Section 25722 of the Public Resources Code is amended to read:

25722. (a) On or before January 31, 2003, the ~~commission~~ *department*, the Department of General Services, and the State Air Resources Board, in consultation with any other state agency

that the ~~commission~~ *department*, the ~~department~~ *Department of General Services*, and the state board deem necessary, shall develop and adopt fuel-efficiency specifications governing the purchase by the state of motor vehicles and replacement tires that, on an annual basis, will reduce petroleum consumption of the state vehicle fleet to the maximum extent practicable and ~~cost-effective~~ *cost effective*.

(b) In developing the specifications, the ~~commission~~ *department* and the ~~department~~ *Department of General Services,* shall jointly conduct a study to examine state vehicle purchasing patterns, including the purchase of after market tires, and to analyze the costs and benefits of reducing the energy consumption of the state vehicle fleet by no less than 10 percent on or before January 1, 2005.

(c) The study shall include an analysis of all of the following topics:

(1) Use of alternative fuels.

(2) Use of fuel-efficient vehicles.

(3) Costs and benefits of decreasing the size of the state vehicle fleet.

(4) Reduction in vehicle trips and increase in use of alternative means of transportation.

(5) Improved vehicle maintenance.

(6) Costs and benefits of using fuel-efficient tires relative to using retreaded tires, as described in the Retreaded Tire Program (Chapter 7 (commencing with Section 42400) of Part 3 of Division 30 of the Public Resources Code).

(7) The costs and benefits of purchasing high fuel efficiency gasoline vehicles, including hybrid electric vehicles, instead of flexible fuel vehicles.

(d) On or before January 31, 2003, and annually thereafter, the ~~commission~~ *department*, the Department of General Services, and the State Air Resources Board, in consultation with any other state agency that the ~~commission~~ *department*, the ~~department~~ *Department of General Services*, and the state board deem necessary, shall develop and adopt air pollution emission specifications governing the purchase by the state of passenger cars and light-duty trucks that meet or exceed California's Ultra-Low Emission Vehicle (ULEV) standards for exhaust emissions (13 Cal. Code Regs. 1960.1).

(e) If the study described in subdivision (b) determines that lower cost measures exist that deliver petroleum reductions equivalent to applicable federal requirements governing the state purchase of passenger cars and light-duty trucks, the state shall pursue a waiver from those federal requirements.

SEC. 199. Section 25722.5 of the Public Resources Code is amended to read:

25722.5. (a) On or before January 1, 2005, in order to achieve the policy objectives set forth in Sections 25000.5 and 25722, the Department of General Services, in consultation with the ~~commission~~ *department* and the State Air Resources Board, shall develop and adopt specifications and standards for all passenger cars and light-duty trucks that are purchased or leased on behalf of, or by, state offices, agencies, and departments. Authorized emergency vehicles, as defined in Section 165 of the Vehicle Code, that are equipped with emergency lamps or lights described in Section 25252 of the Vehicle Code are exempt from the requirements of this section. The specifications and standards shall include the following:

(1) Minimum air pollution emission specifications that meet or exceed California's Ultra-Low Emission Vehicle II (ULEV II) standards for exhaust emissions (13 Cal. Code Regs. 1961). These specifications shall apply on January 1, 2006, for passenger cars and on January 1, 2010, for light-duty trucks.

(2) Notwithstanding any other provision of law, the utilization of procurement policies that enable the Department of General Services to accomplish the following:

(A) Evaluate and score emissions and fuel economy in addition to capital cost to enable the Department of General Services to choose the vehicle with the lowest life-cycle cost when awarding a state vehicle procurement contract.

(B) Maximize the purchase or lease of hybrid or "Best in Class" vehicles that are substantially more fuel efficient than the class average.

(C) Maximize the purchase or lease of available vehicles that meet or exceed California's Super Ultra-Low Emission Vehicle (SULEV) passenger car standards for exhaust emissions.

(3) In order to discourage the unnecessary purchase or leasing of a sport utility vehicle and a four-wheel drive truck, a requirement that each state office, agency, or department seeking

to purchase or lease that vehicle, demonstrate to the satisfaction of the Director of General Services or to the entity that purchases or leases vehicles for that office, agency, or department, that the vehicle is required to perform an essential function of the office, agency, or department. If it is so demonstrated, priority consideration shall be given to the purchase or lease of an alternatively fueled or hybrid sports utility vehicle or four-wheel drive vehicle.

(b) On or before December 31, 2005, each state office, agency, and department shall review its vehicle fleet and, upon finding that it is fiscally prudent, cost-effective, or otherwise in the public interest to do so, shall dispose of nonessential sport utility vehicles and four-wheel drive trucks from its fleet and replace these vehicles with more fuel efficient front-wheel drive passenger cars and trucks.

(c) To the maximum extent practicable, each state office, agency, and department that has bifuel natural gas and bifuel propane vehicles in its vehicle fleet shall use the respective alternative fuel in those vehicles.

(d) Commencing no later than January 1, 2005, the Director of General Services shall compile and maintain information on the nature of vehicles that are owned or leased by the state, including, but not limited to, all of the following:

(1) The number of passenger-type motor vehicles purchased or leased during the year, and the number owned or leased as of December 31 of each year.

(2) The number of sport utility vehicles and four-wheel drive trucks purchased or leased by the state during the year, and the number owned or leased as of December 31 of each year.

(3) The number of alternatively fueled vehicles and hybrid vehicles purchased or leased by the state during the year, and the total number owned or leased as of December 31 of each year.

(4) The justification provided for all sport utility vehicles and four-wheel drive trucks purchased or leased by the state and the specific office, department, or agency responsible for the purchase or lease.

(5) The number of sport utility vehicles and four-wheel drive trucks purchased or leased by the state during the year, and the number owned or leased as of December 31 of each year that are alternative fuel or hybrid vehicles.

(6) The number of light-duty trucks disposed under subdivision (b).

(7) The total dollars spent by the state on passenger-type vehicle purchases and leases, categorized by sport utility vehicle and nonsport utility vehicle, and within each of those categories, by alternative fuel, hybrid and other.

(e) Each state office, agency, and department shall cooperate with the Department of General Services data requests in order that the department may compile and maintain the information required in subdivision (d).

(f) As soon as practicable, the information compiled and maintained under subdivision (d) and a list of those state offices, agencies, and departments that are not in compliance with subdivision (e) shall be made available to the public on the Department of General Services' Web site.

SEC. 200. Section 25723 of the Public Resources Code is amended to read:

25723. On or before January 31, 2003, the ~~commission~~ *department*, in consultation with any other state agency that the ~~commission~~ *department* deems necessary, shall develop and adopt recommendations for consideration by the Governor and the Legislature of a California State Fuel-Efficient Tire Program. The ~~commission~~ *department* shall make recommendations on all of the following items:

(a) Establishing a test procedure for measuring tire fuel efficiency.

(b) Development of a ~~data base~~ *database* of fuel efficiency of existing tires in order to establish an accurate baseline of tire efficiency.

(c) A rating system for tires that provides consumers with information on the fuel efficiency of individual tire models.

(d) A consumer-friendly system to disseminate tire fuel-efficiency information as broadly as possible. The ~~commission~~ *department* shall consider labeling, Web site listing, printed fuel economy guide booklets, and mandatory requirements for tire retailers to provide fuel-efficiency information.

(e) A study to determine the safety implications, if any, of different policies to promote fuel efficient replacement tires in the consumer market.

(f) A mandatory fuel-efficiency standard for all after market tires sold in California.

(g) Consumer incentive programs that would offer a rebate to purchasers of replacement tires that are more fuel efficient than the average replacement tire.

SEC. 201. Section 25730 of the Public Resources Code is amended to read:

25730. The ~~commission~~ *department*, in consultation with the State Air Resources Board, the Department of Forestry and Fire Protection, the Department of Transportation, the State Water Resources Control Board, the California Integrated Waste Management Board, and other state agencies with jurisdiction over matters affecting climate change, shall do all of the following:

(a) On or before January 1, 2002, update the inventory of greenhouse gas emissions from all sources located in the state, as identified in the ~~commission's~~ *the predecessor State Energy Resources Conservation and Development Commission's* 1998 report entitled, "Appendix A: Historical and Forecasted Greenhouse Gas Emissions Inventories for California." Information on natural sources of greenhouse gas emissions shall be included to the extent that information is available. The inventory shall include information that compares emissions from similar inventories prepared for the United States and other states or countries, and shall include information on relevant current and previous energy and air quality policies, activities, and greenhouse gas emissions reductions and trends since 1990, to the extent that information is available.

(b) Acquire and develop data and information on global climate change, and provide state, regional, and local agencies, utilities, business, industry, and other energy and economic sectors with information on the costs, technical feasibility, and demonstrated effectiveness of methods for reducing or mitigating the production of greenhouse gases from in-state sources, including net reductions through the management of natural forest reservoirs. The ~~commission~~ *department*, in consultation with the State Air Resources Board, shall provide a variety of forums for the exchange of that information among interested parties, and shall provide other state agencies with information

on cost-effective and technologically feasible methods that can be used to reduce or mitigate the emissions of greenhouse gases.

(c) Update its inventory every five years using current scientific methods, and report on the updated inventory to the Governor and the Legislature.

(d) Conduct at least one public workshop prior to finalizing each updated inventory. The ~~commission~~ *department* shall post its report and inventory on the ~~commission's~~ *department's* web page on the Internet.

(e) Convene an interagency task force consisting of state agencies with jurisdiction over matters affecting climate change to ensure policy coordination at the state level for those activities.

(f) Establish a climate change advisory committee, to the extent that the ~~commission~~ *department* determines that it can do so within existing resources. This advisory committee shall make recommendations to the ~~commission~~ *department* on the most equitable and efficient ways to implement international and national climate change requirements based on cost, technical feasibility, and relevant information on current energy and air quality policies and activities and on greenhouse gas emissions reductions and trends since 1990. The ~~commission~~ *secretary* shall ~~designate one of its commissioners~~ *be designated* as *the* chair, and *the committee* shall include ~~on the advisory committee~~ members who represent business, including major industrial and energy sectors, utilities, forestry, agriculture, local government, and environmental groups. The meetings of the advisory committee shall be open to the public, and shall provide an opportunity for the public to be heard on matters considered by the advisory committee.

SEC. 202. Section 25741 of the Public Resources Code is amended to read:

25741. As used in this chapter, the following terms have the following meaning:

(a) "In-state renewable electricity generation facility" means a facility that meets all of the following criteria:

(1) The facility uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave,

ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology.

(2) The facility is located in the state or near the border of the state with the first point of connection to the Western Electricity Coordinating Council (WECC) transmission system located within this state.

(3) For the purposes of this subdivision, "solid waste conversion" means a technology that uses a noncombustion thermal process to convert solid waste to a clean-burning fuel for the purpose of generating electricity, and that meets all of the following criteria:

(A) The technology does not use air or oxygen in the conversion process, except ambient air to maintain temperature control.

(B) The technology produces no discharges of air contaminants or emissions, including greenhouse gases as defined in Section 42801.1 of the Health and Safety Code.

(C) The technology produces no discharges to surface or groundwaters of the state.

(D) The technology produces no hazardous wastes.

(E) To the maximum extent feasible, the technology removes all recyclable materials and marketable green waste compostable materials from the solid waste stream prior to the conversion process and the owner or operator of the facility certifies that those materials will be recycled or composted.

(F) The facility at which the technology is used is in compliance with all applicable laws, regulations, and ordinances.

(G) The technology meets any other conditions established by the ~~commission~~ *department*.

(H) The facility certifies that any local agency sending solid waste to the facility diverted at least 30 percent of all solid waste it collects through solid waste reduction, recycling, and composting. For purposes of this paragraph "local agency" means any city, county, or special district, or subdivision thereof, which is authorized to provide solid waste handling services.

(b) "Renewable energy public goods charge" means that portion of the nonbypassable system benefits charge authorized to be collected and to be transferred to the Renewable Resource Trust Fund pursuant to the Reliable Electric Service Investments

Act (Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code).

(c) "Report" means the report entitled "Investing in Renewable Electricity Generation in California" (June 2001, Publication Number P500-00-022) submitted to the Governor and the Legislature by the ~~commission~~ *predecessor State Energy Resources Conservation and Development Commission*.

SEC. 203. Section 25742 of the Public Resources Code is amended to read:

25742. (a) Twenty percent of the funds collected pursuant to the renewable energy public goods charge shall be used for programs that are designed to improve the competitiveness of existing in-state renewable electricity generation facilities, and to secure for the state the environmental, economic, and reliability benefits that continued operation of those facilities will provide. Eligibility for incentives under this section shall be limited to those technologies found eligible for funds by the ~~commission~~ *department* pursuant to paragraphs (5), (6), and (8) of subdivision (c) of Section 399.6 of the Public Utilities Code.

(b) Any funds used to support in-state renewable electricity generation facilities pursuant to this section shall be expended in accordance with the provisions of the report, subject to all of the following requirements:

(1) Of the funding for existing renewable electricity generation facilities available pursuant to this section, 75 percent shall be used to fund first tier technologies, including biomass and solar electric technologies and 25 percent shall be used to fund second tier wind technologies.

(2) The ~~commission~~ *department* shall reexamine the tier structure as proposed in the report and adjust the structure to reflect market and contractual conditions. The ~~commission~~ *department* shall also consider inflation when adjusting the structure.

(3) The ~~commission~~ *department* shall establish a cents per kilowatthour production incentive, not to exceed the payment caps per kilowatthour established in the report, as those payment caps are revised in guidelines adopted by the ~~commission~~ *department*, representing the difference between target prices and the price paid for electricity, if sufficient funds are available. If there are insufficient funds in any payment period to pay either

the difference between the target and price paid for electricity or the payment caps, production incentives shall be based on the amount determined by dividing available funds by eligible generation. The price paid for electricity shall be determined by the ~~commission~~ *department* based on the energy prices paid to nonutility power generators as authorized by the Public Utilities Commission, or on otherwise available measures of price. For the first tier technologies, the ~~commission~~ *department* shall establish a time-differentiated incentive structure that encourages plants to run the maximum feasible amount of time and that provides a higher incentive when the plants are receiving the lowest price.

(4) Facilities that are eligible to receive funding pursuant to this section shall be registered in accordance with criteria developed by the ~~commission~~ *department* and those facilities may not receive payments for any electricity produced that has any of the following characteristics:

(A) Is sold at monthly average rates equal to or greater than the applicable target price, as determined by the ~~commission~~ *department*.

(B) Is that portion of electricity generation attributable to the use of qualified agricultural biomass fuel, for a facility that is receiving fuel-based incentives through the Agricultural Biomass-to-Energy Incentive Grant Program established pursuant to Part 3 (commencing with Section 1101) of Division 1 of the Food and Agricultural Code. Notwithstanding subdivision (f) of Section 1104 of the Food and Agricultural Code, facilities that receive funding from the Agricultural Biomass-to-Energy Incentive Grant Program are eligible to receive funding pursuant to this section.

(C) Is used onsite or is sold to customers in a manner that excludes competitive transition charge payments, or is otherwise excluded from competitive transition charge payments.

SEC. 204. Section 25743 of the Public Resources Code is amended to read:

25743. (a) Fifty-one and one-half percent of the money collected pursuant to the renewable energy public goods charge, shall be used for programs designed to foster the development of new in-state renewable electricity generation facilities, and to secure for the state the environmental, economic, and reliability benefits that operation of those facilities will provide.

(b) Any funds used for new in-state renewable electricity generation facilities pursuant to this section shall be expended in accordance with the report, subject to all of the following requirements:

(1) In order to cover the above market costs of renewable resources as approved by the Public Utilities Commission and selected by retail sellers to fulfill their obligations under Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, the ~~commission~~ *department* shall award funds in the form of supplemental energy payments, subject to the following criteria:

(A) The ~~commission~~ *department* may establish caps on supplemental energy payments. The caps shall be designed to provide for a viable energy market capable of achieving the goals of Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of the Public Utilities Code. The ~~commission~~ *department* may waive application of the caps to accommodate a facility, if it is demonstrated to the satisfaction of the ~~commission~~ *department*, that operation of the facility would provide substantial economic and environmental benefits to end-use customers subject to the funding requirements of the renewable energy public goods charge.

(B) Supplemental energy payments shall be awarded only to facilities that are eligible for funding under this subdivision.

(C) Supplemental energy payments awarded to facilities selected by an electrical corporation pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code shall be paid for the lesser of 10 years, or the duration of the contract with the electrical corporation.

(D) The ~~commission~~ *department* shall reduce or terminate supplemental energy payments for projects that fail either to commence and maintain operations consistent with the contractual obligations to an electrical corporation, or that fail to meet eligibility requirements.

(E) Funds shall be managed in an equitable manner in order for retail sellers to meet their obligation under Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.

(2) The ~~commission~~ *department* may determine as part of a solicitation, that a facility that does not meet the definition of an "in-state renewable electricity generation technology" facility solely because it is located outside the state, is eligible for funding under this subdivision if it meets all of the following requirements:

(A) It is located so that it is or will be connected to the Western Electricity Coordinating Council (WECC) transmission system.

(B) It is developed with guaranteed contracts to sell its generation to end-use customers subject to the funding requirements of Section 381, or to marketers that provide this guarantee for resale of the generation, for a period of time at least equal to the amount of time it receives incentive payments under this subdivision.

(C) It will not cause or contribute to any violation of a California environmental quality standard or requirement.

(D) If the facility is outside of the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.

(E) It meets any other condition established by the ~~commission~~ *department*.

(3) Facilities that are eligible to receive funding pursuant to this subdivision shall be registered in accordance with criteria developed by the ~~commission~~ *department* and those facilities may not receive payments for any electricity produced that has any of the following characteristics:

(A) Is sold under an existing long-term contract with an existing in-state electrical corporation if the contract includes fixed energy or capacity payments, except for that electricity that satisfies subparagraph (C) of paragraph (1) of subdivision (c) of Section 399.6 of the Public Utilities Code.

(B) Is used onsite or is sold to customers in a manner that excludes competitive transition charge payments, or is otherwise excluded from competitive transition charge payments.

(C) Is produced by a facility that is owned by an electrical corporation or a local publicly owned electric utility as defined in subdivision (d) of Section 9604 of the Public Utilities Code.

(D) Is a hydroelectric generation project that will require a new or increased appropriation of water under Part 2

(commencing with Section 1200) of Division 2 of the Water Code.

(E) Is a solid waste conversion facility, unless the facility meets the criteria established in paragraph (3) of subdivision (a) of Section 25741 and the facility certifies that any local agency sending solid waste to the facility is in compliance with Division 30 (commencing with Section 40000), has reduced, recycled, or composted solid waste to the maximum extent feasible, and shall have been found by the California Integrated Waste Management Board to have diverted at least 30 percent of all solid waste through source reduction, recycling, and composting.

(4) Eligibility to compete for funds or to receive funds shall be contingent upon having to sell the output of the renewable electricity generation facility to customers subject to the funding requirements of the renewable energy public goods charge.

(5) The ~~commission~~ *department* may require applicants competing for funding to post a forfeitable bid bond or other financial guaranty as an assurance of the applicant's intent to move forward expeditiously with the project proposed. The amount of any bid bond or financial guaranty may not exceed 10 percent of the total amount of the funding requested by the applicant.

(6) In awarding funding, the ~~commission~~ *department* may provide preference to projects that provide tangible demonstrable benefits to communities with a plurality of minority or low-income populations.

(c) Repowered existing facilities shall be eligible for funding under this subdivision if the capital investment to repower the existing facility equals at least 80 percent of the value of the repowered facility.

(d) Facilities engaging in the direct combustion of municipal solid waste or tires are not eligible for funding under this subdivision.

(e) Production incentives awarded under this subdivision prior to January 1, 2002, shall commence on the date that a project begins electricity production, provided that the project was operational prior to January 1, 2002, unless the ~~commission~~ *department* finds that the project will not be operational prior to January 1, 2002, due to circumstances beyond the control of the developer. Upon making a finding that the project will not be

operational due to circumstances beyond the control of the developer, the ~~commission~~ *department* shall pay production incentives over a five-year period, commencing on the date of operation, provided that the date that a project begins electricity production may not extend beyond January 1, 2007.

(f) Facilities generating electricity from biomass energy shall be considered an in-state renewable electricity generation technology facility to the extent that they report to the ~~commission~~ *department* the types and quantities of biomass fuels used and certify to the satisfaction of the ~~commission~~ *department* that fuel utilization is limited to the following:

(1) Agricultural crops and agricultural wastes and residues.

(2) Solid waste materials such as waste pallets, crates, dunnage, manufacturing, and construction wood wastes, landscape or right-of-way tree trimmings, mill residues that are directly the result of the milling of lumber, and rangeland maintenance residues.

(3) Wood and wood wastes that meet all of the following requirements:

(A) Have been harvested pursuant to an approved timber harvest plan prepared in accordance with the Z'berg-Nejedly Forest Practice Act of 1973 (Chapter 8 (commencing with Sec. 4511) of Part 2 of Division 4).

(B) Have been harvested for the purpose of forest fire fuel reduction or forest stand improvement.

(C) Do not transport or cause the transportation of species known to harbor insect or disease nests outside zones of infestation or current quarantine zones, as identified by the Department of Food and Agriculture or the Department of Forestry and Fire Protection, unless approved by the Department of Food and Agriculture and the Department of Forestry and Fire Protection.

SEC. 205. Section 25744 of the Public Resources Code is amended to read:

25744. (a) Seventeen and one-half percent of the money collected pursuant to the renewable energy public goods charge shall be used for a multiyear, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications.

(b) Any funds used for emerging technologies pursuant to this section shall be expended in accordance with the report, subject to all of the following requirements:

(1) Funding for emerging technologies shall be provided through a competitive, market-based process that shall be in place for a period of not less than five years, and shall be structured so as to allow eligible emerging technology manufacturers and suppliers to anticipate and plan for increased sale and installation volumes over the life of the program.

(2) The program shall provide monetary rebates, buydowns, or equivalent incentives, subject to subparagraph (C), to purchasers, lessees, lessors, or sellers of eligible electricity generating systems. Incentives shall benefit the end-use consumer of renewable generation by directly and exclusively reducing the purchase or lease cost of the eligible system, or the cost of electricity produced by the eligible system. Incentives shall be issued on the basis of the rated electrical generating capacity of the system measured in watts, or the amount of electricity production of the system, measured in kilowatthours. Incentives shall be limited to a maximum percentage of the system price, as determined by the ~~commission~~ *department*.

(3) Eligible distributed emerging technologies are photovoltaic, solar thermal electric, fuel cell technologies that utilize renewable fuels, and wind turbines of not more than 50 kilowatts rated electrical generating capacity per customer site, and other distributed renewable emerging technologies that meet the emerging technology eligibility criteria established by the ~~commission~~ *department*. Eligible electricity generating systems are intended primarily to offset part or all of the consumer's own electricity demand, and shall not be owned by local publicly owned electric utilities, nor be located at a customer site that is not receiving distribution service from an electrical corporation that is subject to the renewable energy public goods charge and contributing funds to support programs under this chapter. All eligible electricity generating system components shall be new and unused, shall not have been previously placed in service in any other location or for any other application, and shall have a warranty of not less than five years to protect against defects and undue degradation of electrical generation output. Systems and their fuel resources shall be located on the same premises of the

end-use consumer where the consumer's own electricity demand is located, and all eligible electricity generating systems shall be connected to the utility grid in California. The ~~commission~~ *department* may require eligible electricity generating systems to have meters in place to monitor and measure a system's performance and generation. Only systems that will be operated in compliance with applicable law and the rules of the Public Utilities Commission shall be eligible for funding.

(4) The ~~commission~~ *department* shall limit the amount of funds available for any system or project of multiple systems and reduce the level of funding for any system or project of multiple systems that has received, or may be eligible to receive, any government or utility funds, incentives, or credit.

(5) In awarding funding, the ~~commission~~ *department* may provide preference to systems that provide tangible demonstrable benefits to communities with a plurality of minority or low-income populations.

(6) In awarding funding, the ~~commission~~ *department* shall develop and implement eligibility criteria and a system that provides preference to systems based upon system performance, taking into account factors, including, but not limited to, shading, insulation levels, and installation orientation.

(7) At least once annually, the ~~commission~~ *department* shall publish and make available to the public the balance of funds available for emerging renewable energy resources for rebates, buydowns, and other incentives for the purchase of these resources.

(c) Notwithstanding Section 399.6 of the Public Utilities Code, the ~~commission~~ *department* may expend, until December 31, 2008, up to sixty million dollars ($60,000,000) of the funding allocated to the Renewable Resources Trust Fund for the program established in this section, subject to the repayment requirements of subdivision (f) of Section 25751.

SEC. 206. Section 25745 of the Public Resources Code is amended to read:

25745. (a) Ten percent of the money collected pursuant to the renewable energy public goods charge shall be used to provide customer credits to customers that entered into a direct transaction on or before September 20, 2001, for purchases of

electricity produced by registered in-state renewable electricity generating facilities.

(b) Any funds used for customer credits pursuant to this section shall be expended, as provided in the report, subject to all of the following requirements:

(1) Customer credits shall be awarded to California retail customers located in the service territory of an electrical corporation that is subject to the renewable energy public goods charge that is contributing funds to support programs under this chapter, and that is purchasing qualifying electricity from renewable electricity generating facilities, through transactions traceable to specific generation sources by any auditable contract trail or equivalent that provides commercial verification that the electricity from the claimed renewable electricity generating facilities has been sold once and only once to a retail customer.

(2) Credits awarded pursuant to this paragraph may be paid directly to electric service providers, energy marketers, aggregators, or generators if those persons or entities account for the credits on the recipient customer's bills. Credits may not exceed one and one-half cents ($0.015) per kilowatthour. Credits awarded to members of the combined class of customers, other than residential and small commercial customers, may not exceed one thousand dollars ($1,000) per customer per calendar year. In no event may more than 20 percent of the total customer incentive funds be awarded to members of the combined class of customers other than residential and small commercial customers.

(3) The ~~commission~~ *department* shall develop criteria and procedures for the identification of energy purchasers and providers that are eligible to receive funds pursuant to this paragraph through a process consistent with this paragraph. These criteria and procedures shall apply only to funding eligibility and may not extend to other renewable marketing claims.

(4) Customer credits may not be awarded for the purchase of electricity that is used to meet the obligations of a renewable portfolio standard.

(5) The Public Utilities Commission shall notify the ~~commission~~ *department* in writing within 10 days of revoking or suspending the registration of any electric service provider

pursuant to paragraph (4) of subdivision (b) of Section 394.25 of the Public Utilities Code.

SEC. 207. Section 25747 of the Public Resources Code is amended to read:

25747. (a) The ~~commission~~ *department* shall adopt guidelines governing the funding programs authorized under this chapter, at a publicly noticed meeting offering all interested parties an opportunity to comment. Substantive changes to the guidelines may not be adopted without at least 10 days' written notice to the public. The public notice of meetings required by this subdivision may not be less than 30 days. Notwithstanding any other provision of law, any guidelines adopted pursuant to this chapter or Section 399.13 of the Public Utilities Code, shall be exempt from the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The Legislature declares that the changes made to this subdivision by the act amending this section during the 2002 portion of the 2001–02 Regular Session are declaratory of, and not a change in existing law.

(b) Funds to further the purposes of this chapter may be committed for multiple years.

(c) Awards made pursuant to this chapter are grants, subject to appeal to the ~~commission~~ *department* upon a showing that factors other than those described in the guidelines adopted by the ~~commission~~ *department* were applied in making the awards and payments. Any actions taken by an applicant to apply for, or become or remain eligible and registered to receive, payments or awards, including satisfying conditions specified by the ~~commission~~ *department*, shall not constitute the rendering of goods, services, or a direct benefit to the ~~commission~~ *department*.

SEC. 208. Section 25748 of the Public Resources Code is amended to read:

25748. (a) The ~~commission~~ *department* shall report to the Legislature on or before November 1, 2005, and annually thereafter, regarding the results of the mechanisms funded pursuant to this chapter. The report shall contain all of the following:

(1) A description of the allocation of funds among existing, new, and emerging technologies, the allocation of funds among

programs, including consumer-side incentives, and the need for the reallocation of money among those technologies.

(2) The status of account transfers and repayments.

(3) A description of the cumulative commitment of claims by account, the relative demand for funds by account, and a forecast of future awards.

(4) A list identifying the types and quantities of biomass fuels used by facilities receiving funds pursuant to Section 25743 and their impacts on improving air quality.

(5) A discussion of the progress being made toward achieving the targets established under Section 25740 by each funding category authorized pursuant to this chapter.

(6) A description of the allocation of funds from interest on the accounts described in this chapter, and money in the accounts described in subdivision (b) of Section 25751.

(7) An itemized list, including project descriptions, award amounts, and outcomes for projects awarded funding in the prior year.

(8) Other matters the ~~commission~~ *department* determines may be of importance to the Legislature.

(b) Money may be reallocated without further legislative action among existing, new, and emerging technologies and consumer-side programs in a manner consistent with the report and with the latest report provided to the Legislature pursuant to this section, except that reallocations may not reduce the allocation established in Section 25743 nor increase the allocation established in Section 25742.

SEC. 209. Section 25749 of the Public Resources Code is amended to read:

25749. The ~~commission~~ *department* shall, by December 1, 2003, prepare and submit to the Legislature a comprehensive renewable electricity generation resource plan that describes the renewable resource potential available in California, and recommendations for a plan for development to achieve the target of increasing the amount of electricity generated from renewable sources per year, so that it equals 17 percent of the total electricity generated for consumption in California by 2006. The ~~commission~~ *department* shall consult with the Public Utilities Commission, electrical corporations, and the

Independent System Operator, in the development and preparation of the plan.

SEC. 210. Section 25750 of the Public Resources Code is amended to read:

25750. The ~~commission~~ *department* shall participate in proceedings at the Public Utilities Commission that relate to or affect efforts to stimulate the development of electricity generated from renewable sources, in order to obtain coordination of the state's efforts to achieve the target of increasing the amount of electricity generated from renewable sources per year, so that it equals 17 percent of the total electricity generated for consumption in California by 2006.

SEC. 211. Section 25751 of the Public Resources Code is amended to read:

25751. (a) The Renewable Resource Trust Fund is hereby created in the State Treasury.

(b) The following accounts are hereby established within the Renewable Resource Trust Fund:

(1) The Existing Renewable Resources Account.

(2) New Renewable Resources Account.

(3) Emerging Renewable Resources Account.

(4) Customer-Credit Renewable Resource Purchases Account.

(5) Renewable Resources Consumer Education Account.

(c) The money in the fund may be expended for the state's administration of this article only upon appropriation by the Legislature in the annual Budget Act.

(d) Notwithstanding Section 383, that portion of revenues collected by electrical corporations for the benefit of in-state operation and development of existing and new and emerging renewable resource technologies, pursuant to Section 399.8 of the Public Utilities Code, shall be transmitted to the ~~commission~~ *department* at least quarterly for deposit in the Renewable Resource Trust Fund pursuant to Section 399.6 of the Public Utilities Code. After setting aside in the fund money that may be needed for expenditures authorized by the annual Budget Act in accordance with subdivision (c), the Treasurer shall immediately deposit money received pursuant to this section into the accounts created pursuant to subdivision (b) in proportions designated by the ~~commission~~ *department* for the current calendar year. Notwithstanding Section 13340 of the Government Code, the

money in the fund and the accounts within the fund are hereby continuously appropriated to the ~~commission~~ *department* without regard to fiscal year for the purposes enumerated in this chapter.

(e) Upon notification by the ~~commission~~ *department*, the Controller shall pay all awards of the money in the accounts created pursuant to subdivision (b) for purposes enumerated in this chapter. The eligibility of each award shall be determined solely by the ~~commission~~ *department* based on the procedures it adopts under this chapter. Based on the eligibility of each award, the ~~commission~~ *department* shall also establish the need for a multiyear commitment to any particular award and so advise the Department of Finance. Eligible awards submitted by the ~~commission~~ *department* to the Controller shall be accompanied by information specifying the account from which payment should be made and the amount of each payment; a summary description of how payment of the award furthers the purposes enumerated in this chapter; and an accounting of future costs associated with any award or group of awards known to the ~~commission~~ *department* to represent a portion of a multiyear funding commitment.

(f) The ~~commission~~ *department* may transfer funds between accounts for cashflow purposes, provided that the balance due each account is restored and the transfer does not adversely affect any of the accounts.

(g) The Department of Finance, commencing March 1, 1999, shall conduct an independent audit of the Renewable Resource Trust Fund and its related accounts annually, and provide an audit report to the Legislature not later than March 1 of each year for which this article is operative. The Department of Finance's report shall include information regarding revenues, payment of awards, reserves held for future commitments, unencumbered cash balances, and other matters that the Director of Finance determines may be of importance to the Legislature.

SEC. 212. Section 25771 of the Public Resources Code is amended to read:

25771. On or before July 1, 2006, the ~~commission~~ *department* shall develop and adopt all of the following:

(a) A database of the energy efficiency of a representative sample of replacement tires sold in the state, based on test procedures adopted by the ~~commission~~ *department*.

(b) Based on the data collected pursuant to subdivision (a), a rating system for the energy efficiency of replacement tires sold in the state, that will enable consumers to make more informed decisions when purchasing tires for their vehicles.

(c) Based on the test procedures adopted pursuant to subdivision (a) and the rating system established pursuant to subdivision (b), requirements for tire manufacturers to report to the ~~commission~~ *department* the energy efficiency of replacement tires sold in the state.

SEC. 213. Section 25772 of the Public Resources Code is amended to read:

25772. On or before July 1, 2007, the ~~commission~~ *department*, in consultation with the board, shall, after appropriate notice and workshops, adopt and, on or before July 1, 2008, implement, a tire energy efficiency program of statewide applicability for replacement tires, designed to ensure that replacement tires sold in the state are at least as energy efficient, on average, as tires sold in the state as original equipment on new passenger cars and light-duty trucks.

SEC. 214. Section 25773 of the Public Resources Code is amended to read:

25773. (a) The program described in Section 25772 shall include all of the following:

(1) The development and adoption of minimum energy efficiency standards for replacement tires, except to the extent that the ~~commission~~ *department* determines that it is unable to do so in a manner that complies with subparagraphs (A) to (E), inclusive. Energy efficiency standards adopted pursuant to this paragraph shall meet all of the following conditions:

(A) Be technically feasible and cost effective.

(B) Not adversely affect tire safety.

(C) Not adversely affect the average tire life of replacement tires.

(D) Not adversely affect state efforts to manage scrap tires pursuant to Chapter 17 (commencing with Section 42860) of Part 3 of Division 30.

(2) The development and adoption of consumer information requirements for replacement tires for which standards have been adopted pursuant to paragraph (1).

(b) The energy efficiency standards established pursuant to paragraph (1) of subdivision (a) shall be based on the results of laboratory testing and, to the extent it is available and deemed appropriate by the ~~commission~~ *department*, an onroad fleet testing program developed by tire manufacturers in consultation with the ~~commission~~ *department* and the board, conducted by tire manufacturers, and submitted to the ~~commission~~ *department* on or before January 1, 2006.

(c) If the ~~commission~~ *department* finds that tires used to equip an authorized emergency vehicle, as defined in Section 165 of the Vehicle Code, are unable to meet the standards established pursuant to paragraph (1) of subdivision (a), the ~~commission~~ *department* shall authorize an operator of an authorized emergency vehicle fleet to purchase for those vehicles tires that do not meet those standards.

(d) The ~~commission~~ *department*, in consultation with the board, shall review and revise the program, including any standards adopted pursuant to the program, as necessary, but not less than once every three years. The ~~commission~~ *department* may not revise the program or standards in a way that reduces the average efficiency of replacement tires.

SEC. 215. Section 25802 of the Public Resources Code is amended to read:

25802. Each person who submits to the ~~commission~~ *department* a notice of intent for any proposed generating facility shall accompany the notice with a fee of one cent ($0.01) per kilowatt of net electric capacity of the proposed generation facility. Such fee shall only be paid on one of the alternate proposed facility sites which has the highest electrical designed capacity. In no event shall such fee be less than one thousand dollars ($1,000) nor more than twenty-five thousand dollars ($25,000).

For any other facility, the notice shall be accompanied by a fee of five thousand dollars ($5,000). Such fee shall only be paid on one of the alternate proposed facility sites.

SEC. 216. Section 25803 of the Public Resources Code is amended to read:

25803. All funds received by the ~~commission~~ *department* pursuant to Section 25802, shall be remitted to the State Treasurer for deposit in the account. All funds in the account

shall be expended for purposes of carrying out the provisions of this division, when appropriated by the Legislature in the Budget Act.

SEC. 217. Section 25900 of the Public Resources Code is amended to read:

25900. Except as provided in Section 25531, whenever the ~~commission~~ *department* finds that any provision of this division is violated or a violation is threatening to take place which constitutes an emergency requiring immediate action to protect the public health, welfare, or safety, the Attorney General, upon request of the ~~commission~~ *department*, shall petition a court to enjoin such violation. The court shall have jurisdiction to grant such prohibitory or mandatory injunctive relief as may be warranted by way of temporary restraining order, preliminary injunction, and permanent injunction.

SEC. 218. Section 25901 of the Public Resources Code is amended to read:

25901. (a) Within 30 days after the *department, including the* commission*,* issues its determination on any matter specified in this division, except as provided in Section 25531, any aggrieved person may file with the superior court a petition for a writ of mandate for review thereof. Failure to file such an action does not preclude a person from challenging the reasonableness and validity of a decision in any judicial proceedings brought to enforce the decision or to obtain other civil remedies.

(b) The decision of the *department or the* commission shall be sustained by the court unless the court finds (1) that the *department or the* commission proceeded without, or in excess of its jurisdiction, (2) that, based exclusively upon a review of the record before the *department or the* commission, the decision is not supported by substantial evidence in light of the whole record, or (3) that the *department or the* commission failed to proceed in the manner required by law.

(c) Except as otherwise provided in this section, subdivisions (f) and (g) of Section 1094.5 of the Code of Civil Procedure govern proceedings pursuant to this section.

(d) The amendment of this section made at the 1989–90 Regular Session of the Legislature does not constitute a change in, but is declaratory of, existing law.

SEC. 219. Section 25902 of the Public Resources Code is amended to read:

25902. Any evaluations in the reports required by Section 25309 and any findings and determinations on the notice of intent pursuant to Chapter 6 (commencing with Section 25500) shall not be construed as a final evaluation, finding, or determination by the *department or the* commission and a court action may not be brought to review any such evaluation, finding, or determination.

SEC. 220. Section 25911 of the Public Resources Code is amended to read:

25911. The~~ State Energy Resources Conservation and Development Commission~~ *commission* may adopt regulations pertaining to urea formaldehyde foam insulation materials as are reasonably necessary to protect the public health and safety. These regulations may include, but are not limited to, prohibition of the manufacture, sale, or installation of urea formaldehyde foam insulation, requirements for safety notices to consumers, certification of installers, and specification of installation practices. Regulations adopted pursuant to this section shall be promulgated after public hearings in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. Any regulation adopted by the commission to prohibit the sale and installation of urea formaldehyde foam insulation shall be based upon a record of scientific evidence which demonstrates the need for the prohibition in order to protect the public health and safety.

SEC. 221. Section 25942 of the Public Resources Code is amended to read:

25942. (a) On or before July 1, 1995, the~~ commission~~ *department* shall establish criteria for adopting a statewide home energy rating program for residential dwellings. The program criteria shall include, but are not limited to, all of the following elements:

(1) Consistent, accurate, and uniform ratings based on a single statewide rating scale.

(2) Reasonable estimates of potential utility bill savings, and reliable recommendations on cost-effective measures to improve energy efficiency.

(3) Training and certification procedures for home raters and quality assurance procedures to promote accurate ratings and to protect consumers.

(4) In coordination with home energy rating service organization data bases, procedures to establish a centralized, publicly accessible, data base that includes a uniform reporting system for information on residential dwellings, excluding proprietary information, needed to facilitate the program. There shall be no public access to information in the data base concerning specific dwellings without the owner's or occupant's permission.

(5) Labeling procedures that will meet the needs of home buyers, homeowners, renters, the real estate industry, and mortgage lenders with an interest in home energy ratings.

(b) The ~~commission~~ *department* shall adopt the program pursuant to subdivision (a) in consultation with representatives of the Department of Real Estate, the Department of Housing and Community Development, the Public Utilities Commission, investor-owned and municipal utilities, cities and counties, real estate licensees, home builders, mortgage lenders, home appraisers and inspectors, home energy rating organizations, contractors who provide home energy services, consumer groups, and environmental groups.

(c) On and after January 1, 1996, no home energy rating services may be performed in this state unless the services have been certified, if such a certification program is available, by the ~~commission~~ *department* to be in compliance with the program criteria specified in subdivision (a) and, in addition, are in conformity with any other applicable element of the program.

(d) On or before July 1, 1996, the ~~commission~~ *department* shall consult with the agencies and organizations described in subdivision (b), to facilitate a public information program to inform homeowners, rental property owners, renters, sellers, and others of the existence of the statewide home energy rating program adopted by the ~~commission~~ *department*.

(e) Beginning with the 1998 biennial energy conservation report required by Section 25401.1, the ~~commission~~ *department* shall, as part of that biennial report, report on the progress made to implement a statewide home energy rating program. The report shall include an evaluation of the energy savings

attributable to the program, and a recommendation concerning which means and methods will be most efficient and cost-effective to induce home energy ratings for residential dwellings.

SEC. 222. Section 25967 of the Public Resources Code is amended to read:

25967. (a) Any person who violates any provision of this chapter shall be liable for a civil penalty not to exceed two thousand five hundred dollars ($2,500) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the State of California by the Attorney General or by any district attorney, county counsel, or city attorney in any court of competent jurisdiction.

(b) If the action is brought by the Attorney General, one-half of the penalty collected shall be paid to the treasurer of the county in which the judgment was entered, and one-half to the State Treasurer. If brought by a district attorney or county counsel, the entire amount of penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If brought by a city attorney or city prosecutor, one-half of the penalty shall be paid to the treasurer of the county and one-half to the city.

(c) If the action is brought at the request of the *department or the* commission, the court shall determine the reasonable expenses incurred by the *department or the* commission in the investigation and prosecution of the action.

Before any penalty collected is paid out pursuant to subdivision (b), the amount of such reasonable expenses incurred by the *department or the* commission shall be paid to the State Treasurer.

SEC. 223. Section 25968 of the Public Resources Code is amended to read:

25968. Any inspector appointed or authorized by the *department or the* commission shall have access to the premises, equipment, materials, partly finished and finished articles, and records of any person subject to the provisions of this chapter.

SEC. 224. Section 26004 of the Public Resources Code is amended to read:

26004. (a) There is in the state government the California Alternative Energy and Advanced Transportation Financing

Authority. The authority constitutes a public instrumentality and the exercise by the authority of powers conferred by this division is the performance of an essential public function.

(b) The authority shall consist of five members, as follows:

(1) The Director of Finance.

(2) The ~~Chairperson of the State Energy Resources Conservation and Development Commission~~ *Secretary of Energy*.

(3) The President of the Public Utilities Commission.

(4) The Controller.

(5) The Treasurer, who shall serve as the chairperson of the authority.

(c) The members listed in paragraphs (1) to (5), inclusive, of subdivision (b) may each designate a deputy or clerk in his or her agency to act for and represent the member at all meetings of the authority.

(d) The first meeting of the authority shall be convened by the Treasurer.

SEC. 225. Section 26011.5 of the Public Resources Code is amended to read:

26011.5. The authority, in consultation with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, shall establish criteria for the selection of projects to receive financing assistance ~~from the authority~~. In the selection of projects, the ~~authority~~ *department* shall, in accordance with the legislative intent, provide financial assistance under this division in a manner consistent with sound financial practice. In developing project selection criteria, the ~~authority~~ *department* shall consider, but not be limited to, all of the following:

(a) The technological feasibility of the projects.

(b) The economic soundness of the projects and a realistic expectation that all financial obligations can and will be met by the participating parties.

(c) The contribution that the projects can make to a reduction or more efficient use of fossil fuels.

(d) The contribution that the project can make toward diversifying California's energy resources by fostering renewable energy systems that can substitute, or preferably eliminate, the demand for conventional energy fuels.

(e) Any other such factors that the authority finds significant in achieving the purposes and objectives of this division.

SEC. 226. Section 26011.6 of the Public Resources Code is amended to read:

26011.6. (a) The authority shall establish a renewable energy program to provide financial assistance to public power entities, independent generators, utilities, or businesses manufacturing components or systems, or both, to generate new and renewable energy sources, develop clean and efficient distributed generation, and demonstrate the economic feasibility of new technologies, such as solar, photovoltaic, wind, and ultralow emission equipment. The authority shall give preference to utility-scale projects that can be rapidly deployed to provide a significant contribution as a renewable energy supply.

(b) The authority shall make every effort to expedite the operation of renewable energy systems, and shall adopt regulations for purposes of this section and Section 26011.5 as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that Chapter 3.5, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding the 120-day limitation specified in subdivision (e) of Section 11346.1 of the Government Code, the regulations shall be repealed 180 days after their effective date, unless the authority complies with Sections 11346.2 to 11347.3, inclusive, as provided in subdivision (e) of Section 11346.1 of the Government Code.

(c) The authority shall consult with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* regarding the financing of projects to avoid duplication of other renewable energy projects.

(d) The authority shall ensure that any financed project shall offer its power within California on a long-term contract basis.

SEC. 227. Section 30404 of the Public Resources Code is amended to read:

30404. (a) The commission shall periodically, in the case of the ~~State Energy Resources Conservation and Development~~

~~Commission~~ *Department of Energy*, the State Board of Forestry and Fire Protection, the State Water Resources Control Board and the California regional water quality control boards, the State Air Resources Board and air pollution control districts and air quality management districts, the Department of Fish and Game, the Department of Parks and Recreation, the Department of Boating and Waterways, the Division of Mines and Geology and the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation, and the State Lands Commission, and may, with respect to any other state agency, submit recommendations designed to encourage the state agency to carry out its functions in a manner consistent with this division. The recommendations may include proposed changes in administrative regulations, rules, and statutes.

(b) Each of those state agencies shall review and consider the commission recommendations and shall, within six months from the date of their receipt, to the extent that the recommendations have not been implemented, report to the Governor and the Legislature its action and reasons therefor. The report shall also include the state agency's comments on any legislation that may have been proposed by the commission.

SEC. 228. Section 322 is added to the Public Utilities Code, to read:

322. (a) Whenever in this chapter a reference is made to the "California Energy Resources Conservation and Development Commission," the "State Energy Resources Conservation and Development Commission," or the "Energy Commission," it means the Department of Energy as successor to that entity.

(b) Whenever in this chapter a reference is made to the Department of Water Resources acting pursuant to Division 27 (commencing with Section 80000) of the Water Code, it includes the Department of Energy as the successor to the Department of Water Resources.

SEC. 229. Section 332.1 of the Public Utilities Code is amended to read:

332.1. (a) (1) It is the intent of the Legislature to enact Item 1 (revised) on the commission's August 21, 2000 agenda, entitled "Opinion Modifying Decision (D.) D.00-06-034 and D.00-08-021 to Regarding Interim Rate Caps for San Diego Gas and Electric Company," as modified below.

(2) It is also the intent of the Legislature that to the extent that the Federal Energy Regulatory Commission orders refunds to electrical corporations pursuant to their findings, the commission shall ensure that any refunds are returned to customers.

(b) The commission shall establish a ceiling of six and five-tenths cents ($0.065) per kilowatthour on the energy component of electric bills for electricity supplied to residential, small commercial, and street lighting customers by the San Diego Gas and Electric Company, through December 31, 2002, retroactive to June 1, 2000. If the commission finds it in the public interest, this ceiling may be extended through December 2003 and may be adjusted as provided in subdivision (d).

(c) The commission shall establish an accounting procedure to track and recover reasonable and prudent costs of providing electric energy to retail customers unrecovered through retail bills due to the application of the ceiling provided for in subdivision (b). The accounting procedure shall utilize revenues associated with sales of energy from utility-owned or managed generation assets to offset an undercollection, if undercollection occurs. The accounting procedure shall be reviewed periodically by the commission, but not less frequently than semiannually. The commission may utilize an existing proceeding to perform the review. The accounting procedure and review shall provide a reasonable opportunity for San Diego Gas and Electric Company to recover its reasonable and prudent costs of service over a reasonable period of time.

(d) If the commission determines that it is in the public interest to do so, the commission, after the date of the completion of the proceeding described in subdivision (g), may adjust the ceiling from the level specified in subdivision (b), and may adjust the frozen rate from the levels specified in subdivision (f), consistent with the Legislature's intent to provide substantial protections for customers of the San Diego Gas and Electric Company and their interest in just and reasonable rates and adequate service.

(e) For purposes of this section, "small commercial customer" includes, but is not limited to, all San Diego Gas and Electric Company accounts on Rate Schedule A of the San Diego Gas and Electric Company, all accounts of customers who are "general acute care hospitals," as defined in Section 1250 of the Health and Safety Code, all San Diego Gas and Electric

Company accounts of customers who are public or private schools for pupils in kindergarten or any of grades 1 to 12, inclusive, and all accounts on Rate Schedule AL-TOU under 100 kilowatts.

(f) The commission shall establish an initial frozen rate of six and five-tenths cents ($0.065) per kilowatthour on the energy component of electric bills for electricity supplied to all customers by the San Diego Gas and Electric Company not subject to subdivision (b), for the time period ending with the end of the rate freeze for the Pacific Gas and Electric Company and the Southern California Edison Company pursuant to Section 368, retroactive to February 7, 2001. The commission shall consider the comparable energy components of rates for comparable customer classes served by the Pacific Gas and Electric Company and the Southern California Edison Company and, if it determines it to be in the public interest, the commission may adjust this frozen rate, and may do so, retroactive to the date that rate increases took effect for customers of Pacific Gas and Electric Company and Southern California Edison Company pursuant to the commission's March 27, 2001, decision. The commission shall determine the Fixed Department of Water Resources Set-Aside pursuant to Section 360.5 for customers subject to this section, reflecting a retail rate consistent with the rate for the energy component of electric bills as determined in this subdivision, in place of the retail rate in effect on January 5, 2001. This section shall be construed to modify the payment provisions, but may not be construed to modify the electric procurement obligations of the Department of Water Resources, *or its successor, the Department of Energy,* pursuant to any contract or agreement in accordance with Division 27 (commencing with Section 80000) of the Water Code, and in effect as of February 7, 2001, between the Department of Water Resources and San Diego Gas and Electric Company.

(g) The commission shall institute a proceeding to examine the prudence and reasonableness of the San Diego Gas and Electric Company in the procurement of wholesale energy on behalf of its customers, for a period beginning, at the latest, on June 1, 2000. If the commission finds that San Diego Gas and Electric Company acted imprudently or unreasonably, the commission shall issue orders that it determines to be appropriate affecting

the retail rates of San Diego Gas and Electric Company customers including, but not limited to, refunds.

(h) Nothing in this section may be construed to limit the authority of the Department of Water Resources*, or its successor,* pursuant to Division 27 (commencing with Section 80000) of the Water Code.

SEC. 230. Article 2 (commencing with Section 334) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

SEC. 231. Section 345.1 is added to the Public Utilities Code, to read:

345.1. (a) The Independent System Operator governing board shall be composed of a five-member independent governing board of directors appointed by the Governor and subject to confirmation by the Senate. Any reference in this chapter or in any other provision of law to the Independent System Operator governing board means the independent governing board appointed under this subdivision.

(b) A member of the independent governing board appointed under subdivision (a) may not be affiliated with any actual or potential participant in any market administered by the Independent System Operator.

(c) (1) All appointments shall be for three-year terms.

(2) There is no limit on the number of terms that may be served by any member.

(d) The Office of Energy Market Oversight shall require the articles of incorporation and bylaws of the Independent System Operator to be revised in accordance with this section, and shall make filings with the Federal Energy Regulatory Commission as the office determines to be necessary.

(e) For the purposes of the initial appointments to the Independent System Operator governing board, as provided in subdivision (a), the Governor shall appoint one member to a one-year term, two members to a two-year term, and two members to a three-year term.

SEC. 232. Section 345.2 is added to the Public Utilities Code, to read:

345.2. (a) The Independent System Operator and Power Exchange bylaws shall contain provisions that identify those matters specified in subdivision (b) of Section 25277.4 of the

Public Resources Code as matters within state jurisdiction. The bylaws shall also contain provisions which state that California's bylaws approval function with respect to the matters specified in subdivision (b) of Section 25277.4 of the Public Resources Code shall not preclude the Federal Energy Regulatory Commission from taking any action necessary to address undue discrimination or other violations of the Federal Power Act (16 U.S.C. Sec. 791a et seq.) or to exercise any other commission responsibility under the Federal Power Act. In taking any such action, the Federal Energy Regulatory Commission shall give due respect to California's jurisdictional interests in the functions of the Independent System Operator and Power Exchange and to attempt to accommodate state interests to the extent those interests are not inconsistent with the Federal Energy Regulatory Commission's statutory responsibilities. The bylaws shall state that any future agreement regarding the apportionment of the Independent System Operator and Power Exchange board appointment function among participating states associated with the expansion of the Independent System Operator and Power Exchange into multistate entities shall be filed with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act (16 U.S.C. Sec. 824d).

(b) Any necessary bylaw changes to implement the provisions of Section 345.1 or subdivision (a) of this section, or Section 25277.1, 25277.3, or 25277.4 of the Public Resources Code, or changes required pursuant to an agreement as contemplated by subdivision (a) of this section with a participating state for a regional organization, shall be effective upon approval of the respective governing boards and the Office of Energy Market Oversight and acceptance for filing by the Federal Energy Regulatory Commission.

SEC. 233. Section 348 of the Public Utilities Code is amended to read:

348. The Independent System Operator shall adopt inspection, maintenance, repair, and replacement standards for the transmission facilities under its control no later than September 30, 1997. The standards, which shall be performance or prescriptive standards, or both, as appropriate, for each substantial type of transmission equipment or facility, shall provide for high quality, safe, and reliable service. In adopting its

standards, the Independent System Operator shall consider: cost, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The Independent System Operator shall also adopt standards for reliability, and safety during periods of emergency and disaster. The Independent System Operator shall report to the ~~Oversight Board~~ *Office of Energy Market Oversight*, at such times as the ~~Oversight Board~~ *office* may specify, on the development and implementation of the standards in relation to facilities under the operational control of the Independent System Operator. The Independent System Operator shall require each transmission facility owner or operator to report annually on its compliance with the standards. That report shall be made available to the public.

SEC. 234. Section 350 of the Public Utilities Code is amended to read:

350. The Independent System Operator, in consultation with the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy*, the Public Utilities Commission, the Western Electricity Coordinating Council, and concerned regulatory agencies in other western states, shall within six months after the Federal Energy Regulatory Commission approval of the Independent System Operator, provide a report to the Legislature and to the ~~Oversight Board~~ *Office of Energy Market Oversight* that does the following:

(a) Conducts an independent review and assessment of Western Electricity Coordinating Council operating reliability criteria.

(b) Quantifies the economic cost of major transmission outages relating to the Pacific Intertie, Southwest Power Link, DC link, and other important high voltage lines that carry power both into and from California.

(c) Identifies the range of cost-effective options that would prevent or mitigate the consequences of major transmission outages.

(d) Identifies communication protocols that may be needed to be established to provide advance warning of incipient problems.

(e) Identifies the need for additional generation reserves and other voltage support equipment, if any, or other resources that may be necessary to carry out its functions.

(f) Identifies transmission capacity additions that may be necessary at certain times of the year or under certain conditions.

(g) Assesses the adequacy of current and prospective institutional provisions for the maintenance of reliability.

(h) Identifies mechanisms to enforce transmission right-of-way maintenance.

(i) Contains recommendations regarding cost-beneficial improvements to electric system reliability for the citizens of California.

SEC. 235. Section 352 of the Public Utilities Code is amended to read:

352. The Independent System Operator may not enter into a multistate entity or a regional organization as authorized in Section 359 unless that entry is approved by the ~~Oversight Board~~ *Office of Energy Market Oversight*.

SEC. 236. Section 353.7 of the Public Utilities Code is amended to read:

353.7. Notwithstanding Section 353.3, nothing in this article may result in any exemption from reasonable interconnection charges, lead to any reduction in contributions by each customer class to public purpose programs funded under Section 399.8, or relieve any customer of any obligation determined by the commission to result from participation in the purchase of power through the Department of Water Resources*, or its successor, the Department of Energy,* pursuant to Division 27 (commencing with Section 80000) of the Water Code.

SEC. 237. Section 360 of the Public Utilities Code is amended to read:

360. The ~~commission~~ *Department of Energy* shall ensure that existing, and if necessary, additional filings at the Federal Energy Regulatory Commission request confirmation of the relevant provisions of this chapter and seek the authority needed to give the Independent System Operator the ability to secure generating and transmission resources necessary to guarantee achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council.

SEC. 238. Section 365 of the Public Utilities Code is amended to read:

365. The actions of the commission pursuant to this chapter shall be consistent with the findings and declarations contained in Section 330. In addition, the commission shall do all of the following:

(a) Facilitate the efforts of the state's electrical corporations to develop and obtain authorization from the Federal Energy Regulatory Commission for the creation and operation of an Independent System Operator and an independent Power Exchange, for the determination of which transmission and distribution facilities are subject to the exclusive jurisdiction of the commission, and for approval, to the extent necessary, of the cost recovery mechanism established as provided in Sections 367 to 376, inclusive. The ~~commission~~ *Office of Energy Market Oversight* shall ~~also~~ participate fully in all proceedings before the Federal Energy Regulatory Commission in connection with the Independent System Operator and the independent Power Exchange, and shall encourage the Federal Energy Regulatory Commission to adopt protocols and procedures that strengthen the reliability of the interconnected transmission grid, encourage all publicly owned utilities in California to become full participants, and maximize enforceability of such protocols and procedures by all market participants.

(b) (1) Authorize direct transactions between electricity suppliers and end use customers, subject to implementation of the nonbypassable charge referred to in Sections 367 to 376, inclusive. Direct transactions shall commence simultaneously with the start of an Independent System Operator and Power Exchange referred to in subdivision (a). The simultaneous commencement shall occur as soon as practicable, but no later than January 1, 1998. The commission shall develop a phase-in schedule at the conclusion of which all customers shall have the right to engage in direct transactions. Any phase-in of customer eligibility for direct transactions ordered by the commission shall be equitable to all customer classes and accomplished as soon as practicable, consistent with operational and other technological considerations, and shall be completed for all customers by January 1, 2002.

(2) Customers shall be eligible for direct access irrespective of any direct access phase-in implemented pursuant to this section if at least one-half of that customer's electrical load is supplied by

energy from a renewable resource provider certified pursuant to Section 383, provided however that nothing in this section shall provide for direct access for electric consumers served by municipal utilities unless so authorized by the governing board of that municipal utility.

SEC. 239. Section 366.1 of the Public Utilities Code is amended to read:

366.1. (a) As used in this section, the following terms have the following meanings:

(1) "Department" means the Department of Water Resources*, or its successor, the Department of Energy,* with respect to its power program described in Chapter 2 (commencing with Section 80100) of Division 27 of the Water Code.

(2) "Existing project participant" means a city with rights and obligations to the Magnolia Power Project under the Magnolia Power Project Planning Agreement, dated May 1, 2001.

(3) "Magnolia Power Project" means a proposed natural gas-fired electric generating facility to be located at an existing site in Burbank and for which an application for certification has been filed with the State Energy Resources Conservation and Development Act (Docket No. 00-SIT-1) and deemed data adequate pursuant to the expedited six-month licensing process established under Section 25550 of the Public Resources Code.

(b) Notwithstanding Section 80110 of the Water Code or Commission Decision 01-09-060, if the Magnolia Power Project has been constructed and is otherwise capable of beginning deliveries of electricity to the existing project participants, an existing project participant may serve as a community aggregator on behalf of all retail end-use customers within its jurisdiction.

(c) Subdivision (b) shall not become operative until both of the following occur:

(1) The commission implements a cost-recovery mechanism, consistent with subdivision (d), that is applicable to customers that elected to purchase electricity from an alternate provider between February 1, 2001, and the effective date of the act adding this section.

(2) The commission submits a report certifying its satisfaction of paragraph (1) to the Senate Energy, Utilities and Communications Committee, or its successor, and the Assembly Committee on Utilities and Commerce, or its successor.

(d) (1) It is the intent of the Legislature that each retail end-use customer that has purchased power from an electrical corporation on or after February 1, 2001, should bear a fair share of the department's power purchase costs, as well as power purchase contract obligations incurred as of January 1, 2003, that are recoverable from electrical corporation customers in commission-approved rates. It is the further intent of the Legislature to prevent any shifting of recoverable costs between customers.

(2) The Legislature finds and declares that the provisions in this subdivision are consistent with the requirements of Section 360.5 and Division 27 (commencing with Section 80000) of the Water Code, and are therefore declaratory of existing law.

(e) A retail end-use customer purchasing power from a community aggregator pursuant to subdivision (b) shall reimburse the department for all of the following:

(1) A charge equivalent to the charge which would otherwise be imposed on the customer by the commission to recover bond related costs pursuant to an agreement between the commission and the ~~Department of Water Resources~~ *department* pursuant to Section 80110 of the Water Code, that charge shall be payable until all obligations of the ~~Department of Water Resources~~ *department* pursuant to Division 27 of the Water Code are fully paid or otherwise discharged.

(2) The costs of the department, equal to the share of the department's estimated net unavoidable power purchase contract costs attributable to the customer, as determined by the commission, for the period commencing with the customer's purchases of electricity from a community aggregator, through the expiration of all then existing power purchase contracts entered into by the department.

(f) A retail end-use customer purchasing power from a community aggregator pursuant to subdivision (b) shall reimburse the electrical corporation that previously served the customer for all of the following:

(1) The electrical corporation's unrecovered past undercollections, including all financing costs attributable to that customer, that the commission lawfully determines may be recovered in rates.

(2) The costs of the electrical corporation recoverable in commission-approved rates, equal to the share of the electrical corporation's estimated net unavoidable power purchase contract costs attributable to the customer, as determined by the commission, for the period commencing with the customer's purchases of electricity from the community aggregator, through the expiration of all then existing power purchase contracts entered into by the electrical corporation.

(g) (1) A charge or cost imposed pursuant to subdivision (e), and all revenues received to pay the charge or cost, shall be the property of the ~~Department of Water Resources~~ *department*. A charge or cost imposed pursuant to subdivision (f), and all revenues received to pay the charge or cost, shall be the property of the particular electrical corporation. The commission shall establish mechanisms, including agreements with, or orders with respect to, electrical corporations necessary to assure that the revenues received to pay a charge or cost payable pursuant to this section are promptly remitted to the party entitled to those revenues.

(2) A charge or cost imposed pursuant to this section shall be nonbypassable.

SEC. 240. Section 366.2 of the Public Utilities Code is amended to read:

366.2. (a) (1) Customers shall be entitled to aggregate their electric loads as members of their local community with community choice aggregators.

(2) Customers may aggregate their loads through a public process with community choice aggregators, if each customer is given an opportunity to opt out of their community's aggregation program.

(3) If a customer opts out of a community choice aggregator's program, or has no community choice program available, that customer shall have the right to continue to be served by the existing electrical corporation or its successor in interest.

(b) If a public agency seeks to serve as a community choice aggregator, it shall offer the opportunity to purchase electricity to all residential customers within its jurisdiction.

(c) (1) Notwithstanding Section 366, a community choice aggregator is hereby authorized to aggregate the electrical load of interested electricity consumers within its boundaries to reduce

transaction costs to consumers, provide consumer protections, and leverage the negotiation of contracts. However, the community choice aggregator may not aggregate electrical load if that load is served by a local publicly owned electric utility, as defined in subdivision (d) of Section 9604. A community choice aggregator may group retail electricity customers to solicit bids, broker, and contract for electricity and energy services for those customers. The community choice aggregator may enter into agreements for services to facilitate the sale and purchase of electricity and other related services. Those service agreements may be entered into by a single city or county, a city and county, or by a group of cities, cities and counties, or counties.

(2) Under community choice aggregation, customer participation may not require a positive written declaration, but all customers shall be informed of their right to opt out of the community choice aggregation program. If no negative declaration is made by a customer, that customer shall be served through the community choice aggregation program.

(3) A community choice aggregator establishing electrical load aggregation pursuant to this section shall develop an implementation plan detailing the process and consequences of aggregation. The implementation plan, and any subsequent changes to it, shall be considered and adopted at a duly noticed public hearing. The implementation plan shall contain all of the following:

(A) An organizational structure of the program, its operations, and its funding.

(B) Ratesetting and other costs to participants.

(C) Provisions for disclosure and due process in setting rates and allocating costs among participants.

(D) The methods for entering and terminating agreements with other entities.

(E) The rights and responsibilities of program participants, including, but not limited to, consumer protection procedures, credit issues, and shutoff procedures.

(F) Termination of the program.

(G) A description of the third parties that will be supplying electricity under the program, including, but not limited to, information about financial, technical, and operational capabilities.

(4) A community choice aggregator establishing electrical load aggregation shall prepare a statement of intent with the implementation plan. Any community choice load aggregation established pursuant to this section shall provide for the following:

(A) Universal access.

(B) Reliability.

(C) Equitable treatment of all classes of customers.

(D) Any requirements established by state law or by the commission concerning aggregated service.

(5) In order to determine the cost-recovery mechanism to be imposed on the community choice aggregator pursuant to subdivisions (d), (e), and (f) that shall be paid by the customers of the community choice aggregator to prevent shifting of costs, the community choice aggregator shall file the implementation plan with the commission, and any other information requested by the commission that the commission determines is necessary to develop the cost-recovery mechanism in subdivisions (d), (e), and (f).

(6) The commission shall notify any electrical corporation serving the customers proposed for aggregation that an implementation plan initiating community choice aggregation has been filed, within 10 days of the filing.

(7) Within 90 days after the community choice aggregator establishing load aggregation files its implementation plan, the commission shall certify that it has received the implementation plan, including any additional information necessary to determine a cost-recovery mechanism. After certification of receipt of the implementation plan and any additional information requested, the commission shall then provide the community choice aggregator with its findings regarding any cost recovery that must be paid by customers of the community choice aggregator to prevent a shifting of costs as provided for in subdivisions (d), (e), and (f).

(8) No entity proposing community choice aggregation shall act to furnish electricity to electricity consumers within its boundaries until the commission determines the cost-recovery that must be paid by the customers of that proposed community choice aggregation program, as provided for in subdivisions (d), (e), and (f). The commission shall designate the earliest possible

effective date for implementation of a community choice aggregation program, taking into consideration the impact on any annual procurement plan of the electrical corporation that has been approved by the commission.

(9) All electrical corporations shall cooperate fully with any community choice aggregators that investigate, pursue, or implement community choice aggregation programs. Cooperation shall include providing the entities with appropriate billing and electrical load data, including, but not limited to, data detailing electricity needs and patterns of usage, as determined by the commission, and in accordance with procedures established by the commission. Electrical corporations shall continue to provide all metering, billing, collection, and customer service to retail customers that participate in community choice aggregation programs. Bills sent by the electrical corporation to retail customers shall identify the community choice aggregator as providing the electrical energy component of the bill. The commission shall determine the terms and conditions under which the electrical corporation provides services to community choice aggregators and retail customers.

(10) (A) A city, county, or city and county that elects to implement a community choice aggregation program within its jurisdiction pursuant to this chapter shall do so by ordinance.

(B) Two or more cities, counties, or cities and counties may participate as a group in a community choice aggregation pursuant to this chapter, through a joint powers agency established pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, if each entity adopts an ordinance pursuant to subparagraph (A).

(11) Following adoption of aggregation through the ordinance described in paragraph (10), the program shall allow any retail customer to opt out and to continue to be served as a bundled service customer by the existing electrical corporation, or its successor in interest. Delivery services shall be provided at the same rates, terms, and conditions, as approved by the commission, for community choice aggregation customers and customers that have entered into a direct transaction where applicable, as determined by the commission. Once enrolled in the aggregated entity, any ratepayer that chooses to opt out within 60 days or two billing cycles of the date of enrollment

may do so without penalty and shall be entitled to receive default service pursuant to paragraph (3) of subdivision (a). Customers that return to the electrical corporation for procurement services shall be subject to the same terms and conditions as are applicable to other returning direct access customers from the same class, as determined by the commission, as authorized by the commission pursuant to this code or any other provision of law. Any reentry fees to be imposed after the opt-out period specified in this paragraph, shall be approved by the commission and shall reflect the cost of reentry. The commission shall exclude any amounts previously determined and paid pursuant to subdivisions (d), (e), and (f) from the cost of reentry.

(12) Nothing in this section shall be construed as authorizing any city or any community choice retail load aggregator to restrict the ability of retail electricity customers to obtain or receive service from any authorized electric service provider in a manner consistent with law.

(13) (A) The community choice aggregator shall fully inform participating customers at least twice within two calendar months, or 60 days, in advance of the date of commencing automatic enrollment. Notifications may occur concurrently with billing cycles. Following enrollment, the aggregated entity shall fully inform participating customers for not less than two consecutive billing cycles. Notification may include, but is not limited to, direct mailings to customers, or inserts in water, sewer, or other utility bills. Any notification shall inform customers of both of the following:

(i) That they are to be automatically enrolled and that the customer has the right to opt out of the community choice aggregator without penalty.

(ii) The terms and conditions of the services offered.

(B) The community choice aggregator may request the commission to approve and order the electrical corporation to provide the notification required in subparagraph (A). If the commission orders the electrical corporation to send one or more of the notifications required pursuant to subparagraph (A) in the electrical corporation's normally scheduled monthly billing process, the electrical corporation shall be entitled to recover from the community choice aggregator all reasonable incremental costs it incurs related to the notification or

notifications. The electrical corporation shall fully cooperate with the community choice aggregator in determining the feasibility and costs associated with using the electrical corporation's normally scheduled monthly billing process to provide one or more of the notifications required pursuant to subparagraph (A).

(C) Each notification shall also include a mechanism by which a ratepayer may opt out of community choice aggregated service. The opt out may take the form of a self-addressed return postcard indicating the customer's election to remain with, or return to, electrical energy service provided by the electrical corporation, or another straightforward means by which the customer may elect to derive electrical energy service through the electrical corporation providing service in the area.

(14) The community choice aggregator shall register with the commission, which may require additional information to ensure compliance with basic consumer protection rules and other procedural matters.

(15) Once the community choice aggregator's contract is signed, the community choice aggregator shall notify the applicable electrical corporation that community choice service will commence within 30 days.

(16) Once notified of a community choice aggregator program, the electrical corporation shall transfer all applicable accounts to the new supplier within a 30-day period from the date of the close of their normally scheduled monthly metering and billing process.

(17) An electrical corporation shall recover from the community choice aggregator any costs reasonably attributable to the community choice aggregator, as determined by the commission, of implementing this section, including, but not limited to, all business and information system changes, except for transaction-based costs as described in this paragraph. Any costs not reasonably attributable to a community choice aggregator shall be recovered from ratepayers, as determined by the commission. All reasonable transaction-based costs of notices, billing, metering, collections, and customer communications or other services provided to an aggregator or its customers shall be recovered from the aggregator or its customers on terms and at rates to be approved by the commission.

(18) At the request and expense of any community choice aggregator, electrical corporations shall install, maintain and calibrate metering devices at mutually agreeable locations within or adjacent to the community aggregator's political boundaries. The electrical corporation shall read the metering devices and provide the data collected to the community aggregator at the aggregator's expense. To the extent that the community aggregator requests a metering location that would require alteration or modification of a circuit, the electrical corporation shall only be required to alter or modify a circuit if such alteration or modification does not compromise the safety, reliability or operational flexibility of the electrical corporation's facilities. All costs incurred to modify circuits pursuant to this paragraph, shall be born by the community aggregator.

(d) (1) It is the intent of the Legislature that each retail end-use customer that has purchased power from an electrical corporation on or after February 1, 2001, should bear a fair share of the ~~Department of Water Resources'~~ electricity purchase costs *of the Department of Water Resources, or its successor, the Department of Energy*, as well as electricity purchase contract obligations incurred as of the effective date of the act adding this section, that are recoverable from electrical corporation customers in commission-approved rates. It is further the intent of the Legislature to prevent any shifting of recoverable costs between customers.

(2) The Legislature finds and declares that this subdivision is consistent with the requirements of Division 27 (commencing with Section 80000) of the Water Code and Section 360.5, and is therefore declaratory of existing law.

(e) A retail end-use customer that purchases electricity from a community choice aggregator pursuant to this section shall pay both of the following:

(1) A charge equivalent to the charges that would otherwise be imposed on the customer by the commission to recover bond related costs pursuant to any agreement between the commission and the Department of Water Resources*, or its successor, the Department of Energy,* pursuant to Section 80110 of the Water Code, which charge shall be payable until any obligations of the ~~Department of Water Resources~~ *department* pursuant to Division

27 (commencing with Section 80000) of the Water Code are fully paid or otherwise discharged.

(2) Any additional costs of the Department of Water Resources, *or its successor, the Department of Energy,* equal to the customer's proportionate share of the ~~Department of Water Resources'~~ *department's* estimated net unavoidable electricity purchase contract costs as determined by the commission, for the period commencing with the customer's purchases of electricity from the community choice aggregator, through the expiration of all then existing electricity purchase contracts entered into by the Department of Water Resources.

(f) A retail end-use customer purchasing electricity from a community choice aggregator pursuant to this section shall reimburse the electrical corporation that previously served the customer for all of the following:

(1) The electrical corporation's unrecovered past undercollections for electricity purchases, including any financing costs, attributable to that customer, that the commission lawfully determines may be recovered in rates.

(2) Any additional costs of the electrical corporation recoverable in commission-approved rates, equal to the share of the electrical corporation's estimated net unavoidable electricity purchase contract costs attributable to the customer, as determined by the commission, for the period commencing with the customer's purchases of electricity from the community choice aggregator, through the expiration of all then existing electricity purchase contracts entered into by the electrical corporation.

(g) (1) Any charges imposed pursuant to subdivision (e) shall be the property of the Department of Water Resources*, or its successor, the Department of Energy*. Any charges imposed pursuant to subdivision (f) shall be the property of the electrical corporation. The commission shall establish mechanisms, including agreements with, or orders with respect to, electrical corporations necessary to ensure that charges payable pursuant to this section shall be promptly remitted to the party entitled to payment.

(2) Charges imposed pursuant to subdivisions (d), (e), and (f) shall be nonbypassable.

(h) Notwithstanding Section 80110 of the Water Code, the commission shall authorize community choice aggregation only if the commission imposes a cost-recovery mechanism pursuant to subdivisions (d), (e), (f), and (g). Except as provided by this subdivision, this section shall not alter the suspension by the commission of direct purchases of electricity from alternate providers other than by community choice aggregators, pursuant to Section 80110 of the Water Code.

(i) (1) The commission shall not authorize community choice aggregation until it implements a cost-recovery mechanism, consistent with subdivisions (d), (e), and (f), that is applicable to customers that elected to purchase electricity from an alternate provider between February 1, 2001, and January 1, 2003.

(2) The commission shall not authorize community choice aggregation until it submits a report certifying compliance with paragraph (1) to the Senate Energy, Utilities and Communications Committee, or its successor, and the Assembly Committee on Utilities and Commerce, or its successor.

(3) The commission shall not authorize community choice aggregation until it has adopted rules for implementing community choice aggregation.

(j) The commission shall prepare and submit to the Legislature, on or before January 1, 2006, a report regarding the number of community choices aggregations, the number of customers served by community choice aggregations, third party suppliers to community choice aggregations, compliance with this section, and the overall effectiveness of community choice aggregation programs.

SEC. 241. Section 381 of the Public Utilities Code is amended to read:

381. (a) To ensure that the funding for the programs described in subdivision (b) and Section 382 are not commingled with other revenues, the commission shall require each electrical corporation to identify a separate rate component to collect the revenues used to fund these programs. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage. This rate component shall fall within the rate levels identified in subdivision (a) of Section 368.

(b) The commission shall allocate funds collected pursuant to subdivision (a), and any interest earned on collected funds, to

programs that enhance system reliability and provide in-state benefits as follows:

(1) Cost-effective energy efficiency and conservation activities.

(2) Public interest research and development not adequately provided by competitive and regulated markets.

(3) In-state operation and development of existing and new and emerging renewable resource technologies defined as electricity produced from other than a conventional power source within the meaning of Section 2805, provided that a power source utilizing more than 25 percent fossil fuel may not be included.

(c) The Public Utilities Commission shall order the respective electrical corporations to collect and spend these funds, as follows:

(1) Cost-effective energy efficiency and conservation activities shall be funded at not less than the following levels commencing January 1, 1998, through December 31, 2001: for San Diego Gas and Electric Company a level of thirty-two million dollars ($32,000,000) per year; for Southern California Edison Company a level of ninety million dollars ($90,000,000) for each of the years l998, 1999, and 2000; fifty million dollars ($50,000,000) for the year 2001; and for Pacific Gas and Electric Company a level of one hundred six million dollars ($106,000,000) per year.

(2) Research, development, and demonstration programs to advance science or technology that are not adequately provided by competitive and regulated markets shall be funded pursuant to Section 399.8.

(3) In-state operation and development of existing and new and emerging renewable resource technologies shall be funded at not less than the following levels on a statewide basis: one hundred nine million five hundred thousand dollars ($109,500,000) per year for each of the years 1998, 1999, and 2000, and one hundred thirty-six million five hundred thousand dollars ($136,500,000) for the year 2001. To accomplish these funding levels over the period described herein the San Diego Gas and Electric Company shall spend twelve million dollars ($12,000,000) per year, the Southern California Edison Company shall expend no less than forty-nine million five hundred thousand dollars ($49,500,000) for the years 1998, 1999, and

2000, and no less than seventy-six million five hundred thousand dollars ($76,500,000) for the year 2001, and the Pacific Gas and Electric Company shall expend no less than forty-eight million dollars ($48,000,000) per year through the year 2001. Additional funding not to exceed seventy-five million dollars ($75,000,000) shall be allocated from moneys collected pursuant to subdivision (d) in order to provide a level of funding totaling five hundred forty million dollars ($540,000,000).

(4) Up to fifty million dollars ($50,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to implementation of subdivision (a) of Section 374. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).

(5) Up to ninety million dollars ($90,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to contractual arrangements in the Southern California Edison service territory stemming from the Biennial Resource Planning Update auction. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).

(6) The funding of in-state operation and development of existing and new and emerging renewable resources technologies shall be made available pursuant to Section 399.8.

(d) Notwithstanding any other provisions of this chapter, the commission may allow entities subject to its jurisdiction to extend the period for competition transition charge collection up to three months beyond its otherwise applicable termination of December 31, 2001, so as to ensure that the aggregate portion of the research, environmental, and low-income funds allocated to renewable resources shall equal five hundred forty million dollars ($540,000,000) and that the costs specified in paragraphs (3), (4), and (5) of subdivision (c) are collected.

(e) Each electrical corporation shall allow customers to make voluntary contributions through their utility bill payments as either a fixed amount or a variable amount to support programs established pursuant to paragraph (3) of subdivision (b). Funds collected by electrical corporations for these purposes shall be forwarded in a timely manner to the appropriate fund as specified by the commission.

(f) For purposes of this article, "emerging renewable technology" means a new renewable technology, including, but not limited to, fuel cells using renewable fuels and photovoltaic technology, that is determined by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* to be emerging from research and development and that has significant commercial potential.

(g) The commission's authority to collect funds pursuant to this section, for purposes of paragraph (3) of subdivision (b), shall become inoperative on March 31, 2002.

SEC. 242. Section 383 of the Public Utilities Code is amended to read:

383. Moneys collected pursuant to paragraph (3) of subdivision (b) of Section 381 shall be transferred to a subaccount of the Energy Resources Programs Account of the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* to be held until further action by the Legislature for purposes of:

(a) Supporting the operation of existing and the development of new and emerging in-state renewable resource technologies.

(b) Supporting the operations of existing renewable resource generation facilities which provide fire suppression benefits, reduce materials going into landfills, and mitigate the amount of open-field burning of agricultural waste.

(c) Supporting the operations of existing, innovative solar thermal technologies that provide essential peak generation and related reliability benefits.

SEC. 243. Section 383.6 of the Public Utilities Code is repealed.

~~383.6. The commission shall, by December 1, 2003, prepare and submit to the Legislature, a comprehensive transmission plan for renewable electricity generation facilities, to provide for the rational, orderly, cost-effective expansion of transmission facilities that may be necessary to facilitate the development of renewable electricity generation facilities identified in the renewable electricity generation resource plan prepared pursuant to Section 25749 of the Public Resources Code. The commission shall consult with the State Energy Resources Conservation and Development Commission, the Independent System Operator,~~

~~and electrical corporations in the development of and preparation of the plan.~~

SEC. 244. Section 384 of the Public Utilities Code is amended to read:

384. (a) Funds transferred to the~~ State Energy Resources Conservation and Development Commission~~ *Department of Energy* pursuant to this article for purposes of public interest research, development, and demonstration shall be transferred to the Public Interest Research, Development, and Demonstration Fund, which is hereby created in the State Treasury. The fund is a trust fund and shall contain money from all interest, repayments, disencumbrances, royalties, and any other proceeds appropriated, transferred, or otherwise received for purposes pertaining to public interest research, development, and demonstration. Any appropriations that are made from the fund shall have an encumbrance period of not longer than two years, and a liquidation period of not longer than four years.

(b) The~~ State Energy Resources Conservation and Development Commission~~ *Department of Energy* shall report annually to the appropriate budget committees of the Legislature on any encumbrances or liquidations that are outstanding at the time the commission's budget is submitted to the Legislature for review.

SEC. 245. Section 398.2 of the Public Utilities Code is amended to read:

398.2. The definitions set forth in this section shall govern the construction of this article.

(a) "System operator" means the Independent System Operator with responsibility for the efficient use and reliable operation of the transmission grid, as provided by Section 345, or a local publicly owned electric utility that does not utilize the Independent System Operator.

(b) "Specific purchases" means electricity transactions which are traceable to specific generation sources by any auditable contract trail or equivalent, such as a tradable commodity system, that provides commercial verification that the electricity source claimed has been sold once and only once to a retail consumer. Retail suppliers may rely on annual data to meet this requirement, rather than hour-by-hour matching of loads and resources.

(c) "Net system power" means the mix of electricity fuel source types established by the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* representing the sources of electricity consumed in California that are not disclosed as specific purchases pursuant to Section 398.4.

SEC. 246. Section 398.3 of the Public Utilities Code is amended to read:

398.3. (a) Beginning January 1, 1998, or as soon as practicable thereafter, each generator that provides meter data to a system operator shall report to the system operator electricity generated in kilowatthours by hour by generator, the fuel type or fuel types and fuel consumption by fuel type by month on an historical recorded quarterly basis. Facilities using only one fuel type may satisfy this requirement by reporting fuel type only. With regard to any facility using more than one fuel type, reports shall reflect the fuel consumed as a percentage of electricity generation.

(b) The ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall have authorization to access the electricity generation data in kilowatthours by hour for each facility that provides meter data to the system operator, and the fuel type or fuel types.

(c) With regard to out-of-state generation, the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall have authorization to access the electricity generation data in kilowatthours by hour at the point at which out-of-state generation is metered, to the extent the information has been submitted to a system operator.

(d) Trade secrets as defined in subdivision (d) of Section 3426.1 of the Civil Code contained in the information provided to the system operators pursuant to this section shall be treated as confidential. These data may be disclosed only by the system operators and only by authorization of the generator except that the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall have authorization to access these data, shall consider all these data to be trade secrets, and shall only release these data in an aggregated form such that trade secrets cannot be discerned.

SEC. 247. Section 398.5 of the Public Utilities Code is amended to read:

398.5. (a) Retail suppliers that disclose specific purchases pursuant to Section 398.4 shall report on March 1, 1999, and annually thereafter, to the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy*, for each electricity offering, for the previous calendar year each of the following:

(1) The kilowatthours purchased, by generator and fuel type during the previous calendar year, consistent with the meter data, including losses, reported to the system operator.

(2) For each electricity offering the kilowatthours sold at retail.

(3) For each electricity offering the disclosures made to consumers pursuant to Section 398.4.

(b) Information submitted to the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* pursuant to this section that is a trade secret as defined in subdivision (d) of Section 3426.1 of the Civil Code shall not be released except in an aggregated form such that trade secrets cannot be discerned.

(c) On or before January 1, 1998, the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall specify guidelines and standard formats, based on the requirements of this article and subject to public hearing, for the submittal of information pursuant to this article.

(d) In developing the rules and procedures specified in this section, the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall seek to minimize the reporting burden and cost of reporting that it imposes on retail suppliers.

(e) On or before October 15, 1999, and annually thereafter, the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall issue a report comparing information available pursuant to Section 398.3 with information submitted by retail suppliers pursuant to this section, and with information disclosed to consumers pursuant to Section 398.4. This report shall be forwarded to the California Public Utilities Commission.

(f) Beginning April 15, 1999, and annually thereafter, the ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* shall issue a report calculating net system power. The ~~California Energy Resources Conservation and Development Commission~~ *department* will establish the generation mix for net generation imports delivered at interface points and metered by the system operators. The ~~California Energy Resources Conservation and Development Commission~~ *department* shall issue an initial report calculating preliminary net system power for calendar year 1997 on or before January 1, 1998. This report shall be updated on or before October 15, 1998.

(g) The provisions of this section shall not apply to generators providing electric service onsite, under an over-the-fence transaction as described in Section 218, or to an affiliate or affiliates, as defined in subdivision (a) of Section 372.

(h) The ~~California Energy Resources Conservation and Development Commission~~ *Department of Energy* may verify the veracity of environmental claims made by retail suppliers.

SEC. 248. Section 399.1 of the Public Utilities Code, as added by Section 4 of Chapter 1050 of the Statutes of 2000, is repealed.

~~399.1. (a) As used in this article, the term "Energy Commission" means the State Energy Resources Conservation and Development Commission.~~

~~(b) As used in this article, the term "local publicly owned electric utility" has the same meaning as set forth in subdivision (d) of Section 9604.~~

SEC. 249. Section 399.1 of the Public Utilities Code, as added by Section 4 of Chapter 1051 of the Statutes of 2000, is amended to read:

399.1. (a) As used in this article, the term ~~"Energy Commission" means the State Energy Resources Conservation and Development Commission~~ *"department" means the Department of Energy*.

(b) As used in this article, the term "local publicly owned electric utility" has the same meaning as set forth in subdivision (d) of Section 9604.

SEC. 250. Section 399.6 of the Public Utilities Code is amended to read:

399.6. (a) In order to optimize public investment and ensure that the most cost-effective and efficient investments in renewable resources are vigorously pursued, the ~~Energy Commission~~ *department* shall create an investment plan as set forth in paragraphs (1) to (3), inclusive, to govern the allocation of funds provided pursuant to this article. The ~~Energy Commission's~~ *department's* long-term goal shall be a fully competitive and self-sustaining California renewable energy supply. The investment plan shall be in accordance with all of the following:

(1) The investment plan's objective shall be to increase, in the near term, the quantity of California's electricity generated by in-state renewable energy resources, while protecting system reliability, fostering resource diversity, and obtaining the greatest environmental benefits for California residents.

(2) An additional objective of the plan shall be to identify and support emerging renewable energy technologies that have the greatest near-term commercial promise and that merit targeted assistance.

(3) The investment plan shall contain specific numerical targets, reflecting the projected impact of the plan, for both of the following:

(A) Increased quantity of California electrical generation produced from emerging technologies and from overall renewable resources.

(B) Increased supply of renewable generation available from facilities other than those selling to investor-owned utilities under contracts entered into prior to 1996 under the federal Public Utilities Regulatory Policies Act of 1978 (P.L. 95-617).

(b) The ~~Energy Commission~~ *department* shall, on an annual basis, evaluate progress on meeting the targets set forth in subparagraphs (A) and (B) of paragraph (3) of subdivision (a), or any substitute provisions adopted by the Legislature upon review of the investment plan, and assess the impact of the investment plan on reducing the cost to Californians of renewable energy generation.

(c) In preparing these investment plans, the ~~Energy Commission~~ *department* shall recommend allocations among all of the following:

(1) (A) Except as provided in subparagraph (B), production incentives for new renewable energy, including repowered or refurbished renewable energy.

(B) Allocations may not be made for renewable energy that is generated by a project that remains under a power purchase contract with an electrical corporation originally entered into prior to September 24, 1996, whether amended or restated thereafter.

(C) Notwithstanding subparagraph (B), production incentives for incremental new, repowered, or refurbished renewable energy from existing projects under a power purchase contract with an electrical corporation originally entered into prior to September 24, 1996, whether amended or restated thereafter, may be allowed in any month, if all of the following occur:

(i) The project's power purchase contract provides that all energy delivered and sold under the contract is paid at a price that does not exceed commission-approved short-run avoided cost of energy.

(ii) Either of the following:

(I) The power purchase contract is amended to provide that the kilowatthours used to determine the capacity payment in any time-of-delivery period in any month under the contract shall be equal to the actual kilowatthour production, but no greater than the five-year average of the kilowatthours delivered for the corresponding time-of-delivery period and month, in the years 1994 to 1998, inclusive.

(II) If a project's installed capacity as of December 31, 1998, is less than 75 percent of the nameplate capacity as stated in the power purchase contract, the power purchase contract is amended to provide that the kilowatthours used to determine the capacity payment in any time-of-delivery period in any month under the contract shall be equal to the actual kilowatthour production, but no greater than the product of the five-year average of the kilowatthours delivered for the corresponding time-of-delivery period and month, in the years 1994 to 1998, inclusive, and the ratio of installed capacity as of December 31 of the previous year, but not to exceed contract nameplate capacity, to the installed capacity as of December 31, 1998.

(iii) The production incentive is payable only with respect to the kilowatthours delivered in a particular month that exceeds the

corresponding five-year average calculated pursuant to clause (ii).

(2) Rebates, buydowns, or equivalent incentives for emerging renewable technologies.

(3) Customer credits for renewables not under contract with a utility.

(4) Customer education.

(5) Incentives for reducing fuel costs that are confirmed to the satisfaction of the ~~Energy Commission~~ *department* at solid fuel biomass energy facilities in order to provide demonstrable environmental and public benefits, including, but not limited to, air quality.

(6) Solar thermal generating resources that enhance the environmental value or reliability of the electrical system and that require financial assistance to remain economically viable, as determined by the ~~Energy Commission~~ *department*. The ~~Energy Commission~~ *department* may require financial disclosure from applicants for purposes of this paragraph.

(7) Specified fuel cell technologies, if the ~~Energy Commission~~ *department* makes all of the following findings:

(A) The specified technologies have similar or better air pollutant characteristics than renewable technologies in the investment plan.

(B) The specified technologies require financial assistance to become commercially viable by reference to wholesale generation prices.

(C) The specified technologies could contribute significantly to the infrastructure development or other innovation required to meet the long-term objective of a self-sustaining, competitive supply of renewable energy.

(8) Existing wind-generating resources, if the ~~Energy Commission~~ *department* finds that the existing wind-generating resources are a cost-effective source of reliable and environmental benefits compared with other eligible sources, and that the existing wind-generating resources require financial assistance to remain economically viable, as determined by the ~~Energy Commission~~ *department*. The ~~Energy Commission~~ *department* may require financial disclosure from applicants for the purposes of this paragraph.

(d) The commission shall establish a cap on the aggregate amount of funds that may be awarded to public entities from the program that provides customer credits for renewables. The intent of the cap is to assure adequate funding of credits for residential and small commercial customers.

(e) Notwithstanding any other provision of law, moneys collected for renewable energy pursuant to this article shall be transferred to the Renewable Resource Trust Fund of the ~~Energy Commission~~ *department*, to be held until further action by the Legislature. The ~~Energy Commission~~ *department* shall prepare and submit to the Legislature, on or before March 31, 2001, an initial investment plan for these moneys, addressing the application of moneys collected between January 1, 2002, and January 1, 2007. The initial investment plan shall also include an evaluation of and report to the Legislature regarding the appropriateness and structure of a mandatory state purchase of renewable energy. On or before March 31, 2006, the ~~Energy Commission~~ *department* shall prepare an investment plan proposing the application of moneys collected between January 1, 2007, and January 1, 2012. No moneys may be expended in the years covered by these plans without further legislative action.

SEC. 251. Section 399.7 of the Public Utilities Code is amended to read:

399.7. (a) In order to ensure that prudent investments in research, development and demonstration of energy efficient technologies continue to produce substantial economic, environmental, public health, and reliability benefits, it is the policy of this state and the intent of the Legislature that funds made available, upon appropriation, for energy related public interest research, development and demonstration programs shall be used to advance science or technology that are not adequately provided by competitive and regulated markets.

(b) Notwithstanding any other provision of law, moneys collected for public-interest research, development and demonstration pursuant to this section shall be transferred to the Public Interest Research, Development, and Demonstration Fund of the ~~Energy Commission~~ *department* to be held until further action by the Legislature. The ~~Energy Commission~~ *department* shall prepare and submit to the Legislature, on or before March 1,

2001, an initial investment plan for these moneys, addressing the application of moneys collected between January 1, 2002, and January 1, 2007. The initial investment plan shall address the recommendations of the PIER Independent Review Panel Report, dated March 2000, to either transform the RD&D program within the ~~Energy Commission~~ *department*, or to administer it through, or in cooperation with, an external organization. The initial investment plan shall include criteria that will be used to determine that a project provides public benefits to California that are not adequately provided by competitive and regulated markets. On or before March 31, 2006, the ~~Energy Commission~~ *department* shall prepare an investment plan addressing the application of moneys collected between January 1, 2007, and January 1, 2012. No moneys may be expended in the years covered by these plans without further legislative action.

(c) In lieu of the commission retaining funds authorized pursuant to Section 381 for investments made by electrical corporations in public interest research, development, and demonstration projects for transmission and distribution functions, up to 10 percent of the funds transferred to the ~~Energy Commission~~ *department* pursuant to subdivision (b) shall be awarded to electrical corporations for public interest research, development, and demonstration projects for transmission and distribution functions consistent with the policies and subject to the requirements of Chapter 7.1 (commencing with Section 25620) of Division 15 of the Public Resources Code.

SEC. 252. Section 399.8 of the Public Utilities Code is amended to read:

399.8. (a) In order to ensure that the citizens of this state continue to receive safe, reliable, affordable, and environmentally sustainable electric service, it is the policy of this state and the intent of the Legislature that prudent investments in energy efficiency, renewable energy, and research, development and demonstration shall continue to be made.

(b) (1) Every customer of an electrical corporation, shall pay a nonbypassable system benefits charge authorized pursuant to this article. The system benefits charge shall fund energy efficiency, renewable energy, and research, development and demonstration.

(2) Local publicly owned electric utilities shall continue to collect and administer system benefits charges pursuant to Section 385.

(c) (1) The commission shall require each electrical corporation to identify a separate rate component to collect revenues to fund energy efficiency, renewable energy, and research, development and demonstration programs authorized pursuant to this section beginning January 1, 2002, through January 1, 2012. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage.

(2) This rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. If the amounts specified in paragraph (1) of subdivision (d) are not recovered fully in any year, the commission shall reset the rate component to restore the unrecovered balance, provided that the rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. Pending restoration, any annual shortfalls shall be allocated pro rata among the three funding categories in the proportions established in paragraph (1) of subdivision (d).

(d) The commission shall order San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company to collect these funds commencing on January 1, 2002, as follows:

(1) Two hundred twenty-eight million dollars ($228,000,000) per year in total for energy efficiency and conservation activities, one hundred thirty-five million dollars ($135,000,000) in total per year for renewable energy, and sixty-two million five hundred thousand dollars ($62,500,000) in total per year for research, development and demonstration. The funds for energy efficiency and conservation activities shall continue to be allocated in proportions established for the year 2000 as set forth in paragraph (1) of subdivision (c) of Section 381.

(2) The amounts shall be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator.

(e) The commission and the ~~Energy Commission~~ *department* shall retain and continue their oversight responsibilities as set forth in Sections 381 and 383, and Chapter 7.1 (commencing with Section 25620) and Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code.

(f) (1) On or before January 1, 2004, the Governor shall appoint an independent review panel including, but not limited to, members with expertise on the energy service needs of large and small electricity consumers, system reliability issues, and energy-related public policy. On or before January 1, 2005, the panel shall prepare and submit to the Legislature and the ~~Energy Commission~~ *department* a report evaluating the energy efficiency, renewable energy, and research, development and demonstration programs funded under this section. Reasonable costs associated with the review in each of the three program categories, including technical assistance, may be charged to the relevant program category under procedures to be developed by the commission for energy efficiency and by the ~~Energy Commission~~ *department* for renewable energy and research development and demonstration.

(2) The report shall also assess all of the following:

(A) Whether ongoing programs are consistent with the statutory goals.

(B) Whether potential synergies among the program categories described in paragraph (1) that could provide enhanced public value have been identified and incorporated in the programs.

(C) If established targets for increased renewable generation are likely to be achieved.

(D) What changes should be made to result in a more efficient use of public resources.

(3) The report shall also compare the ~~Energy Commission's~~ *department's* programs with efforts undertaken by other states and assess, as an alternative, the relative costs and benefits of adopting a tradable minimum renewable energy requirement in California. The evaluation shall include recommendations intended to optimize renewable resource development at the least cost.

(4) For energy efficiency programs, the report shall include an evaluation of all of the following:

(A) The net benefits secured for residential customers, taking into account both public and private costs, including improvements in that customer group's ability to avoid or reduce consumption of relatively costly peak electricity.

(B) Whether the programs provide a balance of benefits to all sectors that contribute to the funding.

(C) The extent to which competition in energy markets including, but not limited to, load participation in ancillary services markets, and improvements in technology affect the continuing need for such programs.

(D) The status and growth of the private, competitive energy services industry that provides energy efficiency services and other energy products to customers.

(E) The commercial availability of any new technologies that reduce electricity demands during high-priced periods.

(F) Customers' willingness and ability to reduce consumption or adopt energy efficiency measures without program support.

(G) The extent to which the programs have delivered cost-effective energy efficiency not adequately provided by markets and as a result have reduced energy demand and consumption.

(H) The relative cost-effectiveness of program expenditures compared to other current or potential expenditures to enhance system reliability.

(5) The report shall include specific recommendations aimed at assisting the Legislature in determining whether to change or eliminate the collection of the system benefits charge on or after January 1, 2007.

(6) The panel may update and revise the report as needed.

(g) Promptly after receiving the panel's report, the commission shall convene a proceeding to address implementation of the panel's energy efficiency recommendations.

(h) An applicant for the Large Nonresidential Standard Performance Contract Program funded pursuant to paragraph (1) of subdivision (b) and an electrical corporation shall promptly attempt to resolve disputes that arise related to the program's guidelines and parameters prior to entering into a program agreement. The applicant shall provide the electrical corporation with written notice of any dispute. Within 10 business days after

receipt of the notice, the parties shall meet to resolve the dispute. If the dispute is not resolved within 10 business days after the date of the meeting, the electrical corporation shall notify the applicant of his or her right to file a complaint with the commission, which complaint shall describe the grounds for the complaint, injury, and relief sought. The commission shall issue its findings in response to a filed complaint within 30 business days of the date of receipt of the complaint. Prior to issuance of its findings, the commission shall provide a copy of the complaint to the electrical corporation, which shall provide a response to the complaint to the commission within five business days of the date of receipt. During the dispute period, the amount of estimated financial incentives shall be held in reserve until the dispute is resolved.

SEC. 253. 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 20 percent renewable energy for the State of California and for the purposes of increasing the diversity, reliability, public health and environmental benefits of the energy mix, it is the intent of the Legislature that the California Public Utilities Commission and ~~the State Energy Resources Conservation and Development Commission~~ *Department of Energy* implement the California Renewables Portfolio Standard Program described in this article.

(b) Increasing California's reliance on renewable energy resources may promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

(c) The development of renewable energy resources may ameliorate air quality problems throughout the state and improve public health by reducing the burning of fossil fuels and the associated environmental impacts.

(d) The California Renewables Portfolio Standard Program is intended to complement the Renewable Energy Program administered by ~~the State Energy Resources Conservation and Development Commission~~ *Department of Energy* and established

pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code.

SEC. 254. 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) *"Department" means Department of Energy.*

*(b)* "Eligible renewable energy resource" means an electric generating facility that is one of the following:

(1) The facility meets the definition of "in-state renewable electricity generation facility" in Section 25741 of the Public Resources Code.

(2) A geothermal generation facility originally commencing operation prior to September 26, 1996, shall be eligible for purposes of adjusting a retail seller's baseline quantity of eligible renewable energy resources except for output certified as incremental geothermal production by the ~~Energy Commission~~ *department*, provided that the incremental output was not sold to an electrical corporation under contract entered into prior to September 26, 1996. For each facility seeking certification, the ~~Energy Commission~~ *department* shall determine historical production trends and establish criteria for measuring incremental geothermal production that recognizes the declining output of existing steamfields and the contribution of capital investments in the facility or wellfield.

(3) The output of a small hydroelectric generation facility of 30 megawatts or less procured or owned by an electrical corporation as of the date of enactment of this article shall be eligible only for purposes of establishing the baseline of an electrical corporation pursuant to paragraph (3) of subdivision (a) of Section 399.15. A new hydroelectric facility is not an eligible renewable energy resource if it will require a new or increased appropriation or diversion of water under Part 2 (commencing with Section 1200) of Division 2 of the Water Code.

(4) A facility engaged in the combustion of municipal solid waste shall not be considered an eligible renewable resource unless it is located in Stanislaus County and was operational prior to September 26, 1996. Output from such facilities shall be eligible only for the purpose of adjusting a retail seller's baseline quantity of eligible renewable energy resources.

~~(b) "Energy Commission" means the State Energy Resources Conservation and Development Commission.~~

(c) "Retail seller" means an entity engaged in the retail sale of electricity to end-use customers, including any of the following:

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

(2) A community choice aggregator. The commission shall institute a rulemaking to determine the manner in which a community choice aggregator will participate in the renewables portfolio standard subject to the same terms and conditions applicable to an electrical corporation.

(3) An electric service provider, as defined in Section 218.3 subject to the following conditions:

(A) An electric service provider shall be considered a retail seller under this article for sales to any customer acquiring service after January 1, 2003.

(B) An electric service provider shall be considered a retail seller under this article for sales to all its customers beginning on the earlier of January 1, 2006, or the date on which a contract between an electric service provider and a retail customer expires. Nothing in this subdivision may require an electric service provider to disclose the terms of the contract to the commission.

(C) The commission shall institute a rulemaking to determine the manner in which electric service providers will participate in the renewables portfolio standard. The electric service provider shall be subject to the same terms and conditions applicable to an electrical corporation pursuant to this article. Nothing in this paragraph shall 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 power consistent with subdivision (b) of Section 218.

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

(C) A local publicly owned electrical utility as defined in subdivision (d) of Section 9604.

(d) "Renewables portfolio standard" means the specified percentage of electricity generated by eligible renewable energy resources that a retail seller is required to procure pursuant to Sections 399.13 and 399.15.

SEC. 255. Section 399.13 of the Public Utilities Code is amended to read:

399.13. The ~~Energy Commission~~ *department* shall do all of the following:

(a) Certify eligible renewable energy resources that it determines meet the criteria described in subdivision (a) of Section 399.12.

(b) Design and implement an accounting system to verify compliance with the renewables portfolio standard by retail sellers, to ensure that renewable energy output is counted only once for the purpose of meeting the renewables portfolio standard of this state or any other state, and for verifying retail product claims in this state or any other state. In establishing the guidelines governing this system, the ~~Energy Commission~~ *department* shall collect data from electricity market participants that it deems necessary to verify compliance of retail sellers, in accordance with the requirements of this article and the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). In seeking data from electrical corporations, the ~~Energy Commission~~ *department* shall request data from the commission. The commission shall collect data from electrical corporations and remit the data to the ~~Energy Commission~~ *department* within 90 days of the request.

(c) Allocate and award supplemental energy payments pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, to eligible renewable energy resources to cover above-market costs of renewable energy.

SEC. 256. Section 399.15 of the Public Utilities Code is amended to read:

399.15. (a) In order to fulfill unmet long-term resource needs, the commission shall establish a renewables portfolio standard requiring all electrical corporations to procure a minimum quantity of output from eligible renewable energy resources as a specified percentage of total kilowatthours sold to

their retail end-use customers each calendar year, if sufficient funds are made available pursuant to paragraph (2), and Section 399.6 and Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, to cover the above-market costs of eligible renewables, and subject to all of the following:

(1) An electric corporation shall not be required to enter into long-term contracts with eligible renewable energy resources that exceed the market prices established pursuant to subdivision (c) of this section.

(2) The ~~Energy Commission~~ *department* shall provide supplemental energy payments from funds in the New Renewable Resources Account in the Renewable Resource Trust Fund to eligible renewable energy resources pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, consistent with this article, for above-market costs. Indirect costs associated with the purchase of eligible renewable energy resources, such as imbalance energy charges, sale of excess energy, decreased generation from existing resources, or transmission upgrades shall not be eligible for supplemental energy payments, but shall be recoverable by an electrical corporation in rates, as authorized by the commission.

(3) For purposes of setting annual procurement targets, the commission shall establish an initial baseline for each electrical corporation based on the actual percentage of retail sales procured from eligible renewable energy resources in 2001, and, to the extent applicable, adjusted going forward pursuant to subdivision (a) of Section 399.12.

(b) The commission shall implement annual procurement targets for each electrical corporation as follows:

(1) Beginning on January 1, 2003, each electrical corporation shall, pursuant to subdivision (a), increase its total procurement of eligible renewable energy resources by at least an additional 1 percent of retail sales per year so that 20 percent of its retail sales are procured from eligible renewable energy resources no later than December 31, 2017. An electrical corporation with 20 percent of retail sales procured from eligible renewable energy resources in any year shall not be required to increase its procurement of such resources in the following year.

(2) Only for purposes of establishing these targets, the commission shall include all power sold to retail customers by the Department of Water Resources*, or its successor,* pursuant to Section 80100 of the Water Code in the calculation of retail sales by an electrical corporation.

(3) In the event that an electrical corporation fails to procure sufficient eligible renewable energy resources in a given year to meet any annual target established pursuant to this subdivision, the electrical corporation shall procure additional eligible renewable energy resources in subsequent years to compensate for the shortfall if sufficient funds are made available pursuant to paragraph (2), and Section 399.6 and Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, to cover the above-market costs of eligible renewables.

(4) If supplemental energy payments from the ~~Energy Commission~~ *department*, in combination with the market prices approved by the commission, are insufficient to cover the above-market costs of eligible renewable energy resources, the commission shall allow an electrical corporation to limit its annual procurement obligation to the quantity of eligible renewable energy resources that can be procured with available supplemental energy payments.

(c) The commission shall establish a methodology to determine the market price of electricity for terms corresponding to the length of contracts with renewable generators, in consideration of the following:

(1) The long-term market price of electricity for fixed price contracts, determined pursuant to the electrical corporation's general procurement activities as authorized by the commission.

(2) The long-term ownership, operating, and fixed-price fuel costs associated with fixed-price electricity from new generating facilities.

(3) The value of different products including baseload, peaking, and as-available output.

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

(e) The commission shall consult with the ~~Energy Commission~~ *department* in calculating market prices under subdivision (c) and establishing other renewables portfolio standard policies.

SEC. 257. Section 399.16 of the Public Utilities Code is amended to read:

399.16. The ~~Energy Commission~~ *department* may consider an electric generating facility that is located outside the state to be an eligible renewable energy resource if it meets the criteria described in Section 399.12 and all of the following requirements:

(a) It is located so that it is, or will be, connected to the Western Electricity Coordinating Council (WECC) transmission system.

(b) It is developed with guaranteed contracts to sell its generation, and demonstrates delivery of energy, to a retail seller or the Independent System Operator.

(c) It participates in the accounting system to verify compliance with the renewables portfolio standard by retail sellers, once established by the ~~Energy Commission~~ *department* pursuant to subdivision (b) of Section 399.13.

SEC. 258. Section 399.25 of the Public Utilities Code is amended to read:

399.25. (a) Notwithstanding any other provision in Sections 1001 to 1013, inclusive, an application of an electrical corporation for a certificate authorizing the construction of new transmission facilities shall be deemed to be necessary to the provision of electric service for purposes of any determination made under Section 1003 if the ~~commission~~ *department* finds that the new facility is necessary to facilitate achievement of the renewable power goals established in Article 16 (commencing with Section 399.11).

(b) With respect to a transmission facility described in subdivision (a), the ~~commission~~ *department* shall take all feasible actions to ensure that the transmission rates established by the Federal Energy Regulatory Commission are fully reflected in any retail rates established by the commission. These actions shall include, but are not limited to:

(1) Making findings, where supported by an evidentiary record, that those transmission facilities provide benefit to the transmission network and are necessary to facilitate the

achievement of the renewables portfolio standard established in Article 16 (commencing with Section 399.11).

(2) Directing the utility to which the generator will be interconnected, where the direction is not preempted by federal law, to seek the recovery through general transmission rates of the costs associated with the transmission facilities.

(3) Asserting the positions described in paragraphs (1) and (2) to the Federal Energy Regulatory Commission in appropriate proceedings.

~~(4) Allowing~~

*(c) The commission shall allow* recovery in retail rates of any increase in transmission costs incurred by an electrical corporation resulting from the construction of the transmission facilities that are not approved for recovery in transmission rates by the Federal Energy Regulatory Commission after the commission determines that the costs were prudently incurred in accordance with subdivision (a) of Section 454.

SEC. 259. Section 411 is added to the Public Utilities Code, to read:

411. All fees collected by the commission from electrical corporations and gas corporations to support those functions of the commission in reviewing and issuing certificates of public convenience and necessity that are transferred to the California Energy Commission within the Department of Energy pursuant to subdivision (b) of Section 1001, shall be identified and transferred to the Secretary of Energy, at least quarterly, upon the assumption by the department of those functions.

SEC. 260. Section 454.5 of the Public Utilities Code, as added by Section 2 of Chapter 835 of the Statutes of 2002, is repealed.

~~454.5. (a) The commission shall specify the allocation of electricity, including quantity, characteristics, and duration of electricity delivery, that the Department of Water Resources shall provide under its power purchase agreements to the customers of each electrical corporation, which shall be reflected in the electrical corporation's proposed procurement plan. Each electrical corporation shall file a proposed procurement plan with the commission not later than 60 days after the commission specifies the allocation of electricity. The proposed procurement plan shall specify the date that the electrical corporation intends~~

~~to resume procurement of electricity for its retail customers, consistent with its obligation to serve. After the commission's adoption of a procurement plan, the commission shall allow not less than 90 days before the electrical corporation resumes procurement pursuant to this section.~~

~~(b) An electrical corporation's proposed procurement plan shall include, but not be limited to, all of the following:~~

~~(1) An assessment of the price risk associated with the electrical corporation's portfolio, including any utility-retained generation, existing power purchase and exchange contracts, and proposed contracts or purchases under which an electrical corporation will procure electricity, electricity demand reductions, and electricity-related products and the remaining open position to be served by spot market transactions.~~

~~(2) A definition of each electricity product, electricity-related product, and procurement related financial product, including support and justification for the product type and amount to be procured under the plan.~~

~~(3) The duration of the plan.~~

~~(4) The duration, timing, and range of quantities of each product to be procured.~~

~~(5) A competitive procurement process under which the electrical corporation may request bids for procurement-related services, including the format and criteria of that procurement process.~~

~~(6) An incentive mechanism, if any incentive mechanism is proposed, including the type of transactions to be covered by that mechanism, their respective procurement benchmarks, and other parameters needed to determine the sharing of risks and benefits.~~

~~(7) The upfront standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to execution of the transaction. This shall include an expedited approval process for the commission's review of proposed contracts and subsequent approval or rejection thereof. The electrical corporation shall propose alternative procurement choices in the event a contract is rejected.~~

~~(8) Procedures for updating the procurement plan.~~

~~(9) A showing that the procurement plan will achieve the following:~~

~~(A) The electrical corporation will, in order to fulfill its unmet resource needs and in furtherance of Section 701.3, until a 20 percent renewable resources portfolio is achieved, procure renewable energy resources with the goal of ensuring that at least an additional 1 percent per year of the electricity sold by the electrical corporation is generated from renewable energy resources, provided sufficient funds are made available pursuant to Section 399.6, to cover the above-market costs for new renewable energy resources.~~

~~(B) The electrical corporation will create or maintain a diversified procurement portfolio consisting of both short-term and long-term electricity and electricity-related and demand reductions products.~~

~~(10) The electrical corporation's risk management policy, strategy, and practices, including specific measures of price stability.~~

~~(11) A plan to achieve appropriate increases in diversity of ownership and diversity of fuel supply of nonutility electrical generation.~~

~~(12) A mechanism for recovery of reasonable administrative costs related to procurement in the generation component of rates.~~

~~(c) The commission shall review and accept, modify, or reject each electrical corporation's procurement plan. The commission's review shall consider each electrical corporation's individual procurement situation, and shall give strong consideration to that situation in determining which one or more of the features set forth in this subdivision shall apply to that electrical corporation. A procurement plan approved by the commission shall contain one or more of the following features, provided that the commission may not approve a feature or mechanism for an electrical corporation if it finds that the feature or mechanism would impair the restoration of an electrical corporation's creditworthiness or would lead to a deterioration of an electrical corporation's creditworthiness:~~

~~(1) A competitive procurement process under which the electrical corporation may request bids for procurement-related services. The commission shall specify the format of that~~

~~procurement process, as well as criteria to ensure that the auction process is open and adequately subscribed. Any purchases made in compliance with the commission-authorized process shall be recovered in the generation component of rates.~~

~~(2) An incentive mechanism that establishes a procurement benchmark or benchmarks and authorizes the electrical corporation to procure from the market, subject to comparing the electrical corporation's performance to the commission-authorized benchmark or benchmarks. The incentive mechanism shall be clear, achievable, and contain quantifiable objectives and standards. The incentive mechanism shall contain balanced risk and reward incentives that limit the risk and reward of an electrical corporation.~~

~~(3) Upfront achievable standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to the execution of the bilateral contract for the transaction. The commission shall provide for expedited review and either approve or reject the individual contracts submitted by the electrical corporation to ensure compliance with its procurement plan. To the extent the commission rejects a proposed contract pursuant to this criteria, the commission shall designate alternative procurement choices obtained in the procurement plan that will be recoverable for ratemaking purposes.~~

~~(d) A procurement plan approved by the commission shall accomplish each of the following objectives:~~

~~(1) Enable the electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.~~

~~(2) Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the commission may establish a regulatory process to verify and assure that each contract was administered in accordance with the terms of the contract, and contract disputes which may arise are reasonably resolved.~~

~~(3) Ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based on forecasts of~~

~~procurement costs adopted by the commission, actual procurement costs incurred, or combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources. The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.~~

~~(4) Moderate the price risk associated with serving its retail customers, including the price risk embedded in its long-term supply contracts, by authorizing an electrical corporation to enter into financial and other electricity-related product contracts.~~

~~(5) Provide for just and reasonable rates, with an appropriate balancing of price stability and price level in the electrical corporation's procurement plan.~~

~~(e) The commission shall provide for the periodic review and prospective modification of an electrical corporation's procurement plan.~~

~~(f) The commission may engage an independent consultant or advisory service to evaluate risk management and strategy. The reasonable costs of any consultant or advisory service is a reimbursable expense and eligible for funding pursuant to Section 631.~~

~~(g) The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement~~

~~plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.~~

~~(h) Nothing in this section alters, modifies, or amends the commission's oversight of affiliate transactions under its rules and decisions or the commission's existing authority to investigate and penalize an electrical corporation's alleged fraudulent activities, or to disallow costs incurred as a result of gross incompetence, fraud, abuse, or similar grounds. Nothing in this section expands, modifies, or limits the State Energy Resources Conservation and Development Commission's existing authority and responsibilities as set forth in Sections 25216, 25216.5, and 25323 of the Public Resources Code.~~

~~(i) An electrical corporation that serves less than 500,000 electric retail customers within the state may file with the commission a request for exemption from this section, which the commission shall grant upon a showing of good cause.~~

~~(j) (1) Prior to its approval pursuant to Section 851 of any divestiture of generation assets owned by an electrical corporation on or after the date of enactment of the act adding this section, the commission shall determine the impact of the proposed divestiture on the electrical corporation's procurement rates and shall approve a divestiture only to the extent it finds, taking into account the effect of the divestiture on procurement rates, that the divestiture is in the public interest and will result in net ratepayer benefits.~~

~~(2) Any electrical corporation's procurement necessitated as a result of the divestiture of generation assets on or after the effective date of the act adding this subdivision shall be subject to the mechanisms and procedures set forth in this section only if its actual cost is less than the recent historical cost of the divested generation assets.~~

~~(3) Notwithstanding paragraph (2), the commission may deem proposed procurement eligible to use the procedures in this section upon its approval of asset divestiture pursuant to Section 851.~~

SEC. 261. Section 454.5 of the Public Utilities Code, as added by Section 3 of Chapter 850 of the Statutes of 2002, is amended to read:

454.5. (a) The commission shall specify the allocation of electricity, including quantity, characteristics, and duration of electricity delivery, that the Department of Water Resources*, or its successor,* shall provide under its power purchase agreements to the customers of each electrical corporation, which shall be reflected in the electrical corporation's proposed procurement plan. Each electrical corporation shall file a proposed procurement plan with the commission not later than 60 days after the commission specifies the allocation of electricity. The proposed procurement plan shall specify the date that the electrical corporation intends to resume procurement of electricity for its retail customers, consistent with its obligation to serve. After the commission's adoption of a procurement plan, the commission shall allow not less than 60 days before the electrical corporation resumes procurement pursuant to this section.

(b) An electrical corporation's proposed procurement plan shall include, but not be limited to, all of the following:

(1) An assessment of the price risk associated with the electrical corporation's portfolio, including any utility-retained generation, existing power purchase and exchange contracts, and proposed contracts or purchases under which an electrical corporation will procure electricity, electricity demand reductions, and electricity-related products and the remaining open position to be served by spot market transactions.

(2) A definition of each electricity product, electricity-related product, and procurement related financial product, including support and justification for the product type and amount to be procured under the plan.

(3) The duration of the plan.

(4) The duration, timing, and range of quantities of each product to be procured.

(5) A competitive procurement process under which the electrical corporation may request bids for procurement-related services, including the format and criteria of that procurement process.

(6) An incentive mechanism, if any incentive mechanism is proposed, including the type of transactions to be covered by that mechanism, their respective procurement benchmarks, and other parameters needed to determine the sharing of risks and benefits.

(7) The upfront standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to execution of the transaction. This shall include an expedited approval process for the commission's review of proposed contracts and subsequent approval or rejection thereof. The electrical corporation shall propose alternative procurement choices in the event a contract is rejected.

(8) Procedures for updating the procurement plan.

(9) A showing that the procurement plan will achieve the following:

(A) The electrical corporation will, in order to fulfill its unmet resource needs and in furtherance of Section 701.3, until a 20 percent renewable resources portfolio is achieved, procure renewable energy resources with the goal of ensuring that at least an additional 1 percent per year of the electricity sold by the electrical corporation is generated from renewable energy resources, provided sufficient funds are made available pursuant to Section 399.6, to cover the above-market costs for new renewable energy resources.

(B) The electrical corporation will create or maintain a diversified procurement portfolio consisting of both short-term and long-term electricity and electricity-related and demand reductions products.

(10) The electrical corporation's risk management policy, strategy, and practices, including specific measures of price stability.

(11) A plan to achieve appropriate increases in diversity of ownership and diversity of fuel supply of nonutility electrical generation.

(12) A mechanism for recovery of reasonable administrative costs related to procurement in the generation component of rates.

(c) The commission shall review and accept, modify, or reject each electrical corporation's procurement plan. The

commission's review shall consider each electrical corporation's individual procurement situation, and shall give strong consideration to that situation in determining which one or more of the features set forth in this subdivision shall apply to that electrical corporation. A procurement plan approved by the commission shall contain one or more of the following features, provided that the commission may not approve a feature or mechanism for an electrical corporation if it finds that the feature or mechanism would impair the restoration of an electrical corporation's creditworthiness or would lead to a deterioration of an electrical corporation's creditworthiness:

(1) A competitive procurement process under which the electrical corporation may request bids for procurement-related services. The commission shall specify the format of that procurement process, as well as criteria to ensure that the auction process is open and adequately subscribed. Any purchases made in compliance with the commission-authorized process shall be recovered in the generation component of rates.

(2) An incentive mechanism that establishes a procurement benchmark or benchmarks and authorizes the electrical corporation to procure from the market, subject to comparing the electrical corporation's performance to the commission-authorized benchmark or benchmarks. The incentive mechanism shall be clear, achievable, and contain quantifiable objectives and standards. The incentive mechanism shall contain balanced risk and reward incentives that limit the risk and reward of an electrical corporation.

(3) Upfront achievable standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to the execution of the bilateral contract for the transaction. The commission shall provide for expedited review and either approve or reject the individual contracts submitted by the electrical corporation to ensure compliance with its procurement plan. To the extent the commission rejects a proposed contract pursuant to this criteria, the commission shall designate alternative procurement choices obtained in the procurement plan that will be recoverable for ratemaking purposes.

(d) A procurement plan approved by the commission shall accomplish each of the following objectives:

(1) Enable the electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.

(2) Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the commission may establish a regulatory process to verify and assure that each contract was administered in accordance with the terms of the contract, and contract disputes which may arise are reasonably resolved.

(3) Ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based on forecasts of procurement costs adopted by the commission, actual procurement costs incurred, or combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources*, or its successor*. The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.

(4) Moderate the price risk associated with serving its retail customers, including the price risk embedded in its long-term supply contracts, by authorizing an electrical corporation to enter into financial and other electricity-related product contracts.

(5) Provide for just and reasonable rates, with an appropriate balancing of price stability and price level in the electrical corporation's procurement plan.

(e) The commission shall provide for the periodic review and prospective modification of an electrical corporation's procurement plan.

(f) The commission may engage an independent consultant or advisory service to evaluate risk management and strategy. The reasonable costs of any consultant or advisory service is a reimbursable expense and eligible for funding pursuant to Section 631.

(g) The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

(h) Nothing in this section alters, modifies, or amends the commission's oversight of affiliate transactions under its rules and decisions or the commission's existing authority to investigate and penalize an electrical corporation's alleged fraudulent activities, or to disallow costs incurred as a result of gross incompetence, fraud, abuse, or similar grounds. Nothing in this section expands, modifies, or limits the ~~State Energy Resources Conservation and Development Commission's~~ *Department of Energy's* existing authority and responsibilities as set forth in Sections 25216, 25216.5, and 25323 of the Public Resources Code.

(i) An electrical corporation that serves less than 500,000 electric retail customers within the state may file with the commission a request for exemption from this section, which the commission shall grant upon a showing of good cause.

(j) (1) Prior to its approval pursuant to Section 851 of any divestiture of generation assets owned by an electrical corporation on or after the date of enactment of the act adding

this section, the commission shall determine the impact of the proposed divestiture on the electrical corporation's procurement rates and shall approve a divestiture only to the extent it finds, taking into account the effect of the divestiture on procurement rates, that the divestiture is in the public interest and will result in net ratepayer benefits.

(2) Any electrical corporation's procurement necessitated as a result of the divestiture of generation assets on or after the effective date of the act adding this subdivision shall be subject to the mechanisms and procedures set forth in this section only if its actual cost is less than the recent historical cost of the divested generation assets.

(3) Notwithstanding paragraph (2), the commission may deem proposed procurement eligible to use the procedures in this section upon its approval of asset divestiture pursuant to Section 851.

SEC. 262. Section 464 of the Public Utilities Code is amended to read:

464. (a) Reasonable expenditures by transmission owners that are electrical corporations to plan, design, and engineer reconfiguration, replacement, or expansion of transmission facilities are in the public interest and are deemed prudent if made for the purpose of facilitating competition in electric generation markets, ensuring open access and comparable service, or maintaining or enhancing reliability, whether or not these expenditures are for transmission facilities that become operational.

(b) The commission and the ~~Electricity Oversight Board~~ *Office of Energy Market Oversight in the Department of Energy* shall jointly facilitate the efforts of the state's transmission owning electrical corporations to obtain authorization from the Federal Energy Regulatory Commission to recover reasonable expenditures made for the purposes stated in subdivision (a).

(c) Nothing in this section alters or affects the recovery of the reasonable costs of other electric facilities in rates pursuant to the commission's existing ratemaking authority under this code or pursuant to the Federal Power Act (41 ~~Stat.~~ *Stats.* 1063; 16 U.S.C. Secs. 791a~~,~~ et seq.). The commission may periodically review and adjust depreciation schedules and rates authorized for an electric plant that is under the jurisdiction of the commission

and owned by an electrical corporation and periodically review and adjust depreciation schedules and rates authorized for a gas plant that is under the jurisdiction of the commission and owned by a gas corporation, consistent with this code.

SEC. 263. Section 848.1 of the Public Utilities Code is amended to read:

848.1. (a) No later than 120 days after the effective date of this article, and from time to time thereafter, the recovery corporation shall apply to the commission for a determination that some or all of the recovery corporation's recovery costs may be recovered through fixed recovery amounts, which would be recovery property under this article, and that any portion of the recovery corporation's federal and State of California income and franchise taxes associated with those fixed recovery amounts and not financed from proceeds of recovery bonds be recovered through fixed recovery tax amounts. The recovery corporation may request this determination by the commission in a separate proceeding or in an existing proceeding, or both. The recovery corporation shall in its application specify that consumers within its service territory would benefit from reduced rates on a present value basis through the issuance of recovery bonds. The commission shall designate fixed recovery amounts and any associated fixed recovery tax amounts as recoverable in one or more financing orders if the commission determines, as part of its findings in connection with the financing order, that the designation of the fixed recovery amounts and any associated fixed recovery tax amounts, and the issuance of recovery bonds in connection with fixed recovery amounts, would reduce the rates on a present value basis that consumers within the recovery corporation's service territory would pay if the financing order were not adopted. Fixed recovery amounts and any associated fixed recovery tax amounts shall only be imposed on existing and future consumers in the service territory. Consumers within the service territory shall continue to pay fixed recovery amounts and any associated fixed tax recovery amounts until the recovery bonds are paid in full by the financing entity. Once the recovery bonds have been paid in full, the payment by consumers of fixed recovery amounts and fixed recovery tax amounts shall terminate.

(b) The commission shall establish an effective mechanism that ensures recovery of recovery costs through fixed recovery amounts and any associated fixed recovery tax amounts from existing and future consumers in the service territory, provided that the costs shall not be recoverable from any of the following:

(1) New load or incremental load of an existing consumer of the recovery corporation where the load is being met through a direct transaction and the transaction does not require the use of transmission or distribution facilities owned by the recovery corporation.

(2) Customer Generation departing load that is exempt from Department of Water Resources power charges pursuant to the commission's Decision No. 03-04-030, as modified by Decision No. 03-04-041, and as clarified and affirmed by Decision No. 03-05-039, except that the load shall pay the costs as a component of and in proportion to any purchase of electricity delivered by the recovery corporation under standby or other service made following its departure.

(3) The Department of Water Resources, with respect to the pumping, generation, and transmission facilities and operations of the State Water Resources Development System, except to the extent that system facilities receive electric service from the recovery corporation on or after December 19, 2003, under a commission approved tariff.

(4) Retail electric load, continuously served by a local publicly owned electric utility from January 1, 2000, through the effective date of the act adding this section.

(5) Load that thereafter comes to take electric service from a city where all the following conditions are met:

(A) The new load is from locations that never received electric service from the recovery corporation.

(B) The city owns and operates the local publicly owned electric utility.

(C) The local publicly owned electric utility served more than 95 percent of the customers receiving electric service residing within the city limits prior to December 19, 2003.

(D) The city annexed the territory in which the load is located on or after December 19, 2003.

(E) Following annexation, the city provides all municipal services to the annexed territory that the city provides to other territory within the city limits, including electric service.

(F) The total load exempt from paying fixed recovery amounts and associated fixed recovery tax amounts pursuant to subparagraphs (A) through (D), inclusive, does not exceed 50 megawatts, as determined by the commission, and any load above the 50 megawatt exemption amount shall be responsible for paying recovery amounts and associated fixed recovery tax amounts, except as provided in subdivision (c).

(c) Except as provided in paragraphs (4) and (5) of subdivision (b), the commission shall determine the extent to which fixed recovery amounts and any associated fixed recovery tax amounts are recoverable from new municipal load, consistent with the commission's determination in the limited rehearing granted in Decision 03-08-076. The determination of the commission shall be made on the earlier of the date it adopts a financing order or December 31, 2004.

(d) Except as provided in paragraphs (4) and (5) of subdivision (b) and in subdivision (c), the obligation to pay fixed recovery amounts and any associated fixed recovery tax amounts cannot be avoided by the formation of a local publicly owned electric utility on or after December 19, 2003, or by annexation of any portion of the service territory of the recovery corporation by an existing local publicly owned electric utility.

(e) Recovery bonds authorized by the commission's financing orders may be issued in one or more series on or before December 31, 2006.

(f) The commission may issue financing orders in accordance with this article to facilitate the recovery, financing, or refinancing of recovery costs. A financing order may be adopted only upon the application of the recovery corporation and shall become effective in accordance with its terms only after the recovery corporation files with the commission the recovery corporation's written consent to all terms and conditions of the financing order. A financing order may specify how amounts collected from a consumer shall be allocated between fixed recovery amounts, any associated fixed recovery tax amounts, and other charges.

(g) Notwithstanding Section 455.5 or 1708, or any other provision of law, except as otherwise provided in Section 848.7 or in this subdivision with respect to recovery property that has been made the basis for the issuance of recovery bonds and with respect to any associated fixed recovery tax amounts, the financing order, the fixed recovery amounts and any associated fixed recovery tax amounts shall be irrevocable, and the commission shall not have authority either by rescinding, altering, or amending the financing order or otherwise, to revalue or revise for ratemaking purposes, the recovery costs or the costs of recovering, financing, or refinancing the recovery costs, determine that the fixed recovery amounts, any associated fixed recovery tax amounts or rates are unjust or unreasonable, or in any way reduce or impair the value of recovery property or of the right to receive any associated fixed recovery tax amounts either directly or indirectly by taking fixed recovery amounts or any associated fixed recovery tax amounts into account when setting other rates for the recovery corporation or when setting charges for the Department of Water Resources*, or its successor, the Department of Energy*; nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination. Except as otherwise provided in this subdivision, the State of California does hereby pledge and agree with the recovery corporation, owners of recovery property, and holders of recovery bonds that the state shall neither limit nor alter the fixed recovery amounts, any associated fixed recovery tax amounts, recovery property, financing orders, or any rights thereunder until the recovery bonds, together with the interest thereon, are fully paid and discharged, and any associated fixed recovery tax amounts have been satisfied or, in the alternative, have been refinanced through an additional issue of recovery bonds; provided nothing contained in this section shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the recovery corporation, owners, and holders. The financing entity is authorized to include this pledge and undertaking for the state in these recovery bonds. Notwithstanding any other provision of this section, the commission shall approve adjustments to the fixed recovery amounts and any associated fixed recovery tax amounts as may be necessary to ensure timely recovery of all

recovery costs that are the subject of the pertinent financing order, and the costs of capital associated with the recovery, financing, or refinancing thereof, including servicing and retiring the recovery bonds contemplated by the financing order. When setting other rates for the recovery corporation, nothing in this subdivision shall prevent the commission from taking into account either of the following:

(1) Any collection of fixed recovery amounts in excess of amounts actually required to pay recovery costs financed or refinanced by recovery bonds.

(2) Any collection of fixed recovery tax amounts in excess of amounts actually required to pay federal and State of California income and franchise taxes associated with fixed recovery amounts; provided that this would not result in a recharacterization of the tax, accounting, and other intended characteristics of the financing, including, but not limited to, either of the following:

(A) Treating the recovery bonds as debt of the recovery corporation or its affiliates for federal income tax purposes.

(B) Treating the transfer of the recovery property by the recovery corporation as a true sale for bankruptcy purposes.

(h) (1) Financing orders issued under this article do not constitute a debt or liability of the state or of any political subdivision thereof, and do not constitute a pledge of the full faith and credit of the state or any of its political subdivisions, but are payable solely from the funds provided therefor under this article and shall be consistent with Sections 1 and 18 of Article XVI of the California Constitution. This subdivision shall in no way preclude bond guarantees or enhancements pursuant to this article. All recovery bonds shall contain on the face thereof a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, this bond."

(2) The issuance of recovery bonds under this article shall not directly, indirectly, or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

(i) The commission shall establish procedures for the expeditious processing of applications for financing orders, including the approval or disapproval thereof within 120 days of

the recovery corporation making application therefor. The commission shall provide in any financing order for a procedure for the expeditious approval by the commission of periodic adjustments to the fixed recovery amounts and any associated fixed recovery tax amounts that are the subject of the pertinent financing order, as required by subdivision (g). The procedure shall require the commission to determine whether the adjustments are required on each anniversary of the issuance of the financing order, and at the additional intervals as may be provided for in the financing order, and for the adjustments, if required, to be approved within 90 days of each anniversary of the issuance of the financing order, or of each additional interval provided for in the financing order.

(j) Fixed recovery amounts are recovery property when, and to the extent that, a financing order authorizing the fixed recovery amounts has become effective in accordance with this article, and the recovery property shall thereafter continuously exist as property for all purposes with all of the rights and privileges of this article for the period and to the extent provided in the financing order, but in any event until the recovery bonds are paid in full, including all principal, interest, premium, costs, and arrearages thereon.

(k) This article and any financing order made pursuant to this article do not amend, reduce, modify, or otherwise affect the right of the Department of Water Resources*, or its successor, the Department of Energy,* to recover its revenue requirements and to receive the charges that it is to recover and receive pursuant to Division 27 (commencing with Section 80000) of the Water Code, or pursuant to any agreement entered into by the commission and the ~~Department of Water Resources~~ *department* pursuant to that division.

SEC. 264. Section 1001 of the Public Utilities Code is amended to read:

1001. *(a)* No railroad corporation whose railroad is operated primarily by electric energy, street railroad corporation, gas corporation, electrical corporation, telegraph corporation, telephone corporation, water corporation, or sewer system corporation shall begin the construction of a street railroad, or of a line, plant, or system, or of any extension thereof, without having first obtained from the commission a certificate that the

present or future public convenience and necessity require or will require ~~such~~ *that* construction.

This article shall not be construed to require any ~~such~~ corporation *described in the preceding paragraph* to secure ~~such~~ *a* certificate for an extension within any city or city and county within which it has theretofore lawfully commenced operations, or for an extension into territory either within or without a city or city and county contiguous to its street railroad, or line, plant, or system, and not theretofore served by a public utility of like character, or for an extension within or to territory already served by it, necessary in the ordinary course of its business. If any public utility, in constructing or extending its line, plant, or system, interferes or is about to interfere with the operation of the line, plant, or system of any other public utility or of the water system of a public agency, already constructed, the commission, on complaint of the public utility or public agency claiming to be injuriously affected, may, after hearing, make ~~such~~ *an* order and prescribe ~~such~~ terms and conditions for the location of the lines, plants, or systems affected as to it may seem just and reasonable.

*(b) Notwithstanding subdivision (a) or any other provision of law, all responsibilities of the commission with respect to the certification of a natural gas line, storage facility, plant, or system, or any extension thereof, not owned by a public utility, and with respect to an electric transmission line, plant, or system, or any extension thereof, carrying electricity to the interconnected grid, or that is part of the interconnected grid, but not including electric distribution facilities, are hereby transferred to the exclusive jurisdiction of the Department of Energy. All applications for certification regarding a line, facility, plant, or system described in this subdivision shall be heard and decided by the California Energy Commission within the department. A decision of the department or the California Energy Commission with respect to matters transferred pursuant to this subdivision shall be conclusive as to all matters determined.*

*(c) For the purposes of this section, an electric line, plant, or system, or extension thereof, shall be considered "electric transmission" for either of the following:*

*(1) It has a maximum rated voltage of 200 kilovolts or greater.*

*(2) It has a maximum rated voltage of 100 kilovolts or greater and certification is sought following inclusion of that facility as an element of a final transmission expansion plan for the Independent System Operator.*

*(d) In hearing and deciding an application pursuant to this section, the California Energy Commission shall consider and make any necessary findings on all factors required by Sections 1001 to 1005.5, inclusive, and any other provision of law, including the anticipated effects of any proposed project on consumer rates, on the environment, and on the public benefits expected to result from any project.*

*(e) The Department of Energy, in consultation with the Public Utilities Commission, shall promptly establish a mechanism for the Public Utilities Commission to timely advise the department regarding the retail rate impacts of the decision made by the California Energy Commission and the department.*

SEC. 265. Section 1731 of the Public Utilities Code is amended to read:

1731. (a) The commission shall set an effective date when issuing an order or decision. The commission may set the effective date of an order or decision prior to the date of issuance of the order or decision.

(b) After any order or decision has been made by the commission, any party to the action or proceeding, or any stockholder or bondholder or other party pecuniarily interested in the public utility affected, may apply for a rehearing in respect to any matters determined in the action or proceeding and specified in the application for rehearing. The commission may grant and hold a rehearing on those matters, if in its judgment sufficient reason is made to appear. No cause of action arising out of any order or decision of the commission shall accrue in any court to any corporation or person unless the corporation or person has filed an application to the commission for a rehearing within 30 days after the date of issuance or within 10 days after the date of issuance in the case of an order issued pursuant to either Article 5 (commencing with Section 816) or Article 6 (commencing with Section 851) of Chapter 4 relating to security transactions and the transfer or encumbrance of utility property. For purposes of this article, “date of issuance” means the date when the commission

mails the order or decision to the parties to the action or proceeding.

(c) No cause of action arising out of any order or decision of the commission construing, applying, or implementing the provisions of Chapter 4 of the Statutes of the 2001–02 First Extraordinary Session that (1) relates to the determination or implementation of the department's revenue requirements, or the establishment or implementation of bond or power charges necessary to recover those revenue requirements, or (2) in the sole determination of the Department of Water Resources, *or its successor, the Department of Energy,* the expedited review of order or decision of the commission is necessary or desirable, for the maintenance of any credit ratings on any bonds or notes of the department issued pursuant to Division 27 (commencing with Section 80000) of the Water Code or for the department to meet its obligations with respect to any bonds or notes pursuant to that division, shall accrue in any court to any corporation or person unless the corporation or person has filed an application with the commission for a rehearing within 10 days after the date of issuance of the order or decision. The Department of Water Resources*, or its successor,* shall notify the commission of any determination pursuant to paragraph (2) of this subdivision prior to the issuance by the commission of any order or decision construing, applying, or implementing the provisions of Chapter 4 of the Statutes of the 2001–02 First Extraordinary Session. The commission shall issue its decision and order on rehearing within 20 days after the filing of the application.

SEC. 266. Section 1768 of the Public Utilities Code is amended to read:

1768. The following procedures shall apply to judicial review of an order or decision of the commission interpreting, implementing, or applying the provisions of Chapter 4 of the Statutes of the 2001–02 First Extraordinary Session that (1) relates to the determination or implementation of the revenue requirements of the Department of Water Resources*, or its successor, the Department of Energy,* or the establishment or implementation of bond or power charges necessary to recover those revenue requirements, or (2) in the sole determination of the department, the expedited review of an order or decision of the commission is necessary or desirable, for the maintenance of

any credit ratings on any bonds or notes of the department issued pursuant to Division 27 (commencing with Section 80000) of the Water Code or for the department to meet its obligations with respect to any bonds or notes pursuant to that division:

(a) Within 30 days after the commission issues its order or decision denying the application for a rehearing, or, if the application is granted, then within 30 days after the commission issues its decision on rehearing, any aggrieved party may petition for a writ of review in the California Supreme Court for the purpose of determining the lawfulness of the original order or decision or of the order or decision on rehearing. If the writ issues, it shall be made returnable at a time and place specified by court order and shall direct the commission to certify its record in the case to the court within the time specified. No order of the commission interpreting, implementing, or applying the provisions of Chapter 4 of the Statutes of the 2001–02 First Extraordinary Session shall be subject to review in the courts of appeal.

(b) The petition for review shall be served upon the executive director of the commission either personally or by service at the office of the commission.

(c) For purposes of this section, the issuance of a decision or the granting of an application shall be construed to have occurred on the date when the commission mails the decision or grant to the parties to the action or proceeding.

(d) All actions and proceedings under this section and all actions or proceedings to which the commission or the people of the State of California are parties in which any question arises under this section, or under or concerning any order or decision of the commission under this section, shall be preferred over, and shall be heard and determined in preference to, all other civil business except election causes, irrespective of position on the calendar.

(e) The provisions of this article apply to actions under this section to the extent that those provisions are not in conflict with this section.

SEC. 267. Section 1822 of the Public Utilities Code is amended to read:

1822. (a) Any computer model that is the basis for any testimony or exhibit in a hearing or proceeding before the

commission shall be available to, and subject to verification by, the commission and parties to the hearing or proceedings to the extent necessary for cross-examination or rebuttal, subject to applicable rules of evidence, except that verification is not required for any electricity demand model or forecast prepared by the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* pursuant to Section 25309 or 25402.1 of the Public Resources Code and approved and adopted after a hearing during which testimony was offered subject to cross-examination. The commission shall afford each of these electricity demand models or forecasts the evidentiary weight it determines appropriate. Nothing in this subdivision requires the ~~State Energy Resources Conservation and Development Commission~~ *department* to approve or adopt any electricity demand model or forecast.

(b) Any testimony presented in a hearing or proceeding before the commission that is based in whole, or in part, on a computer model shall include a listing of all the equations and assumptions built into the model.

(c) Any data base that is used for any testimony or exhibit in a hearing or proceeding before the commission shall be reasonably accessible to the commission staff and parties to the hearing or proceeding to the extent necessary for cross-examination or rebuttal, subject to applicable rules of evidence, as applied in commission proceedings.

(d) The commission shall adopt rules and procedures to meet the requirements specified in subdivisions (a), (b), and (c). These rules shall include procedural safeguards that protect ~~data bases~~ *databases* and models not owned by the public utility.

(e) The commission shall establish appropriate procedures for determining the appropriate level of compensation for a party's access.

(f) Each party shall have access to the computer programs and models of each other party to the extent provided by Section 1822. The commission shall not require a utility to provide a remote terminal or other direct physical link to the computer systems of a utility to a third party.

(g) The commission shall verify, validate, and review the computer models of any electric corporation that are used for the purpose of planning, operating, constructing, or maintaining the

corporation's electricity transmission system, and that are the basis for testimony and exhibits in hearings and proceedings before the commission.

(h) The transmission computer models shall be available to, and subject to verification by, each party to a commission proceeding in accordance with subdivision (a) of Section 1822, and regulations adopted pursuant to subdivision (d) of Section 1822.

SEC. 268. Section 2774.6 of the Public Utilities Code is amended to read:

2774.6. The commission, in consultation with the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy*, shall develop a program for residential and commercial customer air-conditioning load control, as an element of each electrical corporation's tariffed service offerings paid for with electric rates. The goal of the program shall be to contribute to the adequacy of electricity supply and to help customers reduce their electric bills in a cost-effective manner. The program may include peak load reduction programs for residential and commercial air-conditioning systems, if the commission determines that the inclusion would be ~~cost-effective~~ *cost effective*.

SEC. 269. Section 2826.5 of the Public Utilities Code is amended to read:

2826.5. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electricity account, or more than one account, mutually agreed upon by Pacific Gas and Electric Company and the City of Davis.

(2) "Bill credit" means credits calculated based upon the electricity generation component of the rate schedule applicable to a benefiting account, as applied to the net metered quantities of electricity.

(3) "PVUSA" means the photovoltaic electricity generation facility selected by the City of Davis, located at 24662 County Road, Davis, California, with a rated peak electricity generation capacity of 600 kilowatts, and as it may be expanded, not to exceed one megawatt of peak generation capacity.

(4) "Net metered" means the electricity output from the PVUSA.

(5) "Environmental attributes" associated with the PVUSA include, but are not limited to, the credits, benefits, emissions reductions, environmental air quality credits, and emissions reduction credits, offsets, and allowances, however entitled resulting from the avoidance of the emission of any gas, chemical, or other substance attributable to the PVUSA.

(b) The City of Davis may elect to designate a benefiting account, or more than one account, to receive bill credit for the electricity generated by the PVUSA, if all of the following conditions are met:

(1) A benefiting account receives service under a time-of-use rate schedule.

(2) The electricity output of the PVUSA is metered for time of use to allow allocation of each bill credit to correspond to the time-of-use period of a benefiting account.

(3) All costs associated with the metering requirements of paragraphs (1) and (2) are the responsibility of the City of Davis.

(4) All electricity delivered to the electrical grid by the PVUSA is the property of Pacific Gas and Electric Company.

(5) PVUSA does not sell electricity delivered to the electrical grid to a third party.

(6) The right, title, and interest in the environmental attributes associated with the electricity delivered to the electrical grid by the PVUSA are the property of Nuon Renewable Ventures USA, LLC.

(c) A benefiting account shall be billed on a monthly basis, as follows:

(1) For all electricity usage, the rate schedule applicable to the benefiting account, including any surcharge, exit fee, or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources*, or its successor, the Department of Energy,* for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(2) The rate schedule for the benefiting account shall also provide credit for the generation component of the time-of-use rates for the electricity generated by the PVUSA that is delivered to the electrical grid. The generation component credited to the benefiting account may not include the surcharge, exit fee, or other cost recovery mechanism, as determined by the

commission, to reimburse the Department of Water Resources*, or its successor, the Department of Energy,* for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(3) If in any billing cycle, the charge pursuant to paragraph (1) for electricity usage exceeds the billing credit pursuant to paragraph (2), the City of Davis shall be charged for the difference.

(4) If in any billing cycle, the billing credit pursuant to paragraph (2), exceeds the charge for electricity usage pursuant to paragraph (1), the difference shall be carried forward as a credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last billing cycle of a calendar year, any remaining credit resulting from the application of this section shall be reset to zero.

(d) Not more frequently that once per year, and upon providing Pacific Gas and Electric Company with a minimum of 60 days notice, the City of Davis may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefit account, shall be applied, and may only be applied, to a benefiting account as changed.

(e) Pacific Gas and Electric Company shall file an advice letter with the Public Utilities Commission, that complies with this section, not later than 10 days after the effective date of this section, proposing a rate tariff for a benefiting account. The commission, within 30 days of the date of filing, shall approve the proposed tariff, or specify conforming changes to be made by Pacific Gas and Electric Company to be filed in a new advice letter.

(f) The City of Davis may terminate its election pursuant to subdivision (b), upon providing Pacific Gas and Electric Company with a minimum of 60 days notice. Should the City of Davis sell its interest in the PVUSA, or sell the electricity generated by the PVUSA, in a manner other than required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to paragraph (2) of

subdivision (b) may be earned. Only credit earned prior to that date shall be made to a benefiting account.

(g) The Legislature finds and declares that credit for a benefiting account for the electricity output from the PVUSA are in the public interest in order to value the production of this unique, wholly renewable resource electricity generation facility located in, and owned in part by, the City of Davis. Because of the unique circumstances applicable only to the PVUSA a statute of general applicability cannot be enacted within the meaning of subdivision (b) of Section 16 of Article IV of the California Constitution. Therefore, this special statute is necessary.

SEC. 270. Section 2826.6 of the Public Utilities Code is amended to read:

2826.6. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electricity account, or more than one account, mutually agreed upon by Pacific Gas and Electric Company and California State University, Fresno, as selected by California State University, Fresno.

(2) "Bill credit" means credits calculated based upon the electricity generation component of the rate schedule applicable to a benefiting account, as applied to the net metered quantities of electricity.

(3) "Dinuba Facility' means the biomass facility located in Reedley, California, that supplies 11.5 megawatts, using no more than 20 percent natural gas, to the electrical grid owned by Pacific Gas and Electric Company.

(4) "Environmental attributes" associated with the Dinuba Facility include, but are not limited to, the credits, benefits, emissions reductions, environmental air quality credits, and emissions reduction credits, offsets, and allowances, however entitled resulting from the avoidance of the emission of any gas, chemical, or other substance attributable to the Dinuba Facility.

(5) "Net metered" means the electricity output from the Dinuba Facility.

(b) California State University, Fresno may elect to designate a benefiting account, or more than one account, to receive bill credit for the electricity generated by the Dinuba Facility, if all of the following conditions are met:

(1) A benefiting account receives service under a time-of-use rate schedule.

(2) The electricity output of the Dinuba Facility is metered for time of use to allow allocation of each bill credit to correspond to the time-of-use period of a benefiting account.

(3) All costs associated with the metering requirements of paragraphs (1) and (2) are the responsibility of California State University, Fresno.

(4) All electricity delivered to the electrical grid by the Dinuba Facility is the property of Pacific Gas and Electric Company.

(5) The Dinuba Facility does not sell electricity delivered to the electrical grid to a third party.

(6) The right, title, and interest in the environmental attributes associated with the electricity delivered to the electrical grid by the Dinuba Facility are the property of Auxiliary Corporation of California State University, Fresno.

(c) A benefiting account shall be billed on a monthly basis, as follows:

(1) For all electricity usage, the rate schedule applicable to the benefiting account shall be the rate schedule of the benefiting account, including any surcharge, exit fee, or other cost recovery mechanism, as determined by the Public Utilities Commission, to reimburse the Department of Water Resources*, or its successor, the Department of Energy,* for purchases of electricity~~,~~ pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(2) The rate schedule for the benefiting account shall also provide credit for the generation component of the time-of-use rates for the electricity generated by the Dinuba Facility that is delivered to the electrical grid. The generation component credited to the benefiting account may not include the surcharge, exit fee, or other cost recovery mechanism, as determined by the Public Utilities Commission, to reimburse the Department of Water Resources*, or its successor, the Department of Energy,* for purchases of electricity~~,~~ pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(3) If in any billing cycle, the charge pursuant to paragraph (1) for electricity usage exceeds the billing credit pursuant to paragraph (2), California State University, Fresno shall be charged for the difference.

(4) If in any billing cycle, the billing credit pursuant to paragraph (2), exceeds the charge for electricity usage pursuant to paragraph (1), the difference shall be carried forward as a credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last billing cycle of a calendar year, any remaining credit resulting from the application of this section shall be reset to zero.

(d) Not more frequently that once per year, and upon providing Pacific Gas and Electric Company with a minimum of 60 days notice, California State University, Fresno may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefit account, shall be applied, and may only be applied, to a benefiting account as changed.

(e) Pacific Gas and Electric Company shall file an advice letter with the Public Utilities Commission, that complies with this section, not later than 10 days after the effective date of this section, proposing a rate tariff for a benefiting account. The commission, within 30 days of the date of filing, shall approve the proposed tariff, or specify conforming changes to be made by Pacific Gas and Electric Company to be filed in a new advice letter.

(f) California State University, Fresno may terminate its election pursuant to subdivision (b), upon providing Pacific Gas and Electric Company with a minimum of 60 days notice. Should California State University, Fresno sell its interest in the Dinuba Facility, or sell the electricity generated by the Dinuba Facility, in a manner other than required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to paragraph (2) of subdivision (b) may be earned. Only credit earned prior to that date shall be made to a benefiting account.

(g) The Legislature finds and declares that credit for a benefiting account for the electricity output from the Dinuba Facility is in the public interest in order to value the production of this unique, renewable resource electricity generation facility located in Reedley, and owned by California State University,

Fresno. Because of the unique circumstances applicable only to the Dinuba Facility, a statute of general applicability cannot be enacted within the meaning of subdivision (b) of Section 16 of Article IV of the California Constitution. Therefore, this special statute is necessary.

(h) This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

SEC. 271. Section 2827 of the Public Utilities Code is amended to read:

2827. (a) The Legislature finds and declares that a program to provide net energy metering for eligible customer-generators is one way to encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California's energy supply infrastructure, enhance the continued diversification of California's energy resource mix, and reduce interconnection and administrative costs for electricity suppliers.

(b) As used in this section, the following definitions apply:

(1) "Electric service provider" means an electrical corporation, as defined in Section 218, a local publicly owned electric utility, as defined in Section 9604, or an electrical cooperative, as defined in Section 2776, or any other entity that offers electrical service. This section shall not apply to a local publicly owned electric utility, as defined in Section 9604 of the Public Utilities Code, that serves more than 750,000 customers and that also conveys water to its customers.

(2) "Eligible customer-generator" means a residential, small commercial customer as defined in subdivision (h) of Section 331, commercial, industrial, or agricultural customer of an electric service provider, who uses a solar or a wind turbine electrical generating facility, or a hybrid system of both, with a capacity of not more than one megawatt that is located on the customer's owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer's own electrical requirements.

(3) "Net energy metering" means measuring the difference between the electricity supplied through the electric grid and the

electricity generated by an eligible customer-generator and fed back to the electric grid over a 12-month period as described in subdivision (h). Net energy metering shall be accomplished using a single meter capable of registering the flow of electricity in two directions. An additional meter or meters to monitor the flow of electricity in each direction may be installed with the consent of the customer-generator, at the expense of the electric service provider, and the additional metering shall be used only to provide the information necessary to accurately bill or credit the customer-generator pursuant to subdivision (h), or to collect solar or wind electric generating system performance information for research purposes. If the existing electrical meter of an eligible customer-generator is not capable of measuring the flow of electricity in two directions, the customer-generator shall be responsible for all expenses involved in purchasing and installing a meter that is able to measure electricity flow in two directions. If an additional meter or meters are installed, the net energy metering calculation shall yield a result identical to that of a single meter. An eligible customer-generator who already owns an existing solar or wind turbine electrical generating facility, or a hybrid system of both, is eligible to receive net energy metering service in accordance with this section.

(4) "Wind energy co-metering" means any wind energy project greater than 50 kilowatts, but not exceeding one megawatt, where the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a 12-month period is as described in subdivision (h). Wind energy co-metering shall be accomplished pursuant to Section 2827.8.

(5) "Co-energy metering" means a program that is the same in all other respects as a net energy metering program, except that the local publicly owned electric utility, as defined in Section 9604, has elected to apply a generation-to-generation energy and time-of-use credit formula as provided in subdivision (i).

(6) "Ratemaking authority" means, for an electrical corporation as defined in Section 218, or an electrical cooperative as defined in Section 2776, the commission, and for a local publicly owned electric utility as defined in Section 9604,

the local elected body responsible for regulating the rates of the local publicly owned utility.

(c) (1) Every electric service provider shall develop a standard contract or tariff providing for net energy metering, and shall make this contract available to eligible customer-generators, upon request, on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer-generators exceeds one-half of 1 percent of the electric service provider's aggregate customer peak demand.

(2) On an annual basis, beginning in 2003, every electric service provider shall make available to the ratemaking authority information on the total rated generating capacity used by eligible customer-generators that are customers of that provider in the provider's service area. For those electric service providers who are operating pursuant to Section 394, they shall make available to the ratemaking authority the information required by this paragraph for each eligible customer-generator that is their customer for each service area of an electric corporation, local publicly owned electric utility, or electrical cooperative, in which the customer has net energy metering. The ratemaking authority shall develop a process for making the information required by this paragraph available to energy service providers, and for using that information to determine when, pursuant to paragraph (3), a service provider is not obligated to provide net energy metering to additional customer-generators in its service area.

(3) Notwithstanding paragraph (1), an electric service provider is not obligated to provide net energy metering to additional customer-generators in its service area when the combined total peak demand of all customer-generators served by all the electric service providers in that service area furnishing net energy metering to eligible customer-generators exceeds one-half of 1 percent of the aggregate customer peak demand of those electric service providers.

(d) Electric service providers shall make all necessary forms and contracts for net metering service available for download from the Internet.

(e) (1) Every electric service provider shall ensure that requests for establishment of net energy metering are processed in a time period not exceeding that for similarly situated customers requesting new electric service, but not to exceed 30

working days from the date the electric service provider receives a completed application form for net metering service, including a signed interconnection agreement from an eligible customer-generator and the electric inspection clearance from the governmental authority having jurisdiction. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify both the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(2) Electric service providers shall ensure that requests for an interconnection agreement from an eligible customer-generator are processed in a time period not to exceed 30 working days from the date the electric service provider receives a completed application form from the eligible customer-generator for an interconnection agreement. If an electric service provider is unable to process the request within the allowable timeframe, the electric service provider shall notify the customer-generator and the ratemaking authority of the reason for its inability to process the request and the expected completion date.

(f) (1) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier that does not provide distribution service for the direct transactions, the service provider that provides distribution service for an eligible customer-generator is not obligated to provide net energy metering to the customer.

(2) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier, and the customer is an eligible customer-generator, the service provider that provides distribution service for the direct transactions may recover from the customer's electric service provider the incremental costs of metering and billing service related to net energy metering in an amount set by the ratemaking authority.

(g) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility, except that eligible customer-generators shall not be assessed standby

charges on the electrical generating capacity or the kilowatthour production of an eligible solar or wind electrical generating facility. The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the customer-generator's choice of electric service provider. Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or any other charge that would increase an eligible customer-generator's costs beyond those of other customers who are not customer-generators in the rate class to which the eligible customer-generator would otherwise be assigned if the customer did not own, lease, rent, or otherwise operate an eligible solar or wind electrical generating facility are contrary to the intent of this section, and shall not form a part of net energy metering contracts or tariffs.

(h) For eligible residential and small commercial customer-generators, the net energy metering calculation shall be made by measuring the difference between the electricity supplied to the eligible customer-generator and the electricity generated by the eligible customer-generator and fed back to the electric grid over a 12-month period. The following rules shall apply to the annualized net metering calculation:

(1) The eligible residential or small commercial customer-generator shall, at the end of each 12-month period following the date of final interconnection of the eligible customer-generator's system with an electric service provider, and at each anniversary date thereafter, be billed for electricity used during that period. The electric service provider shall determine if the eligible residential or small commercial customer-generator was a net consumer or a net producer of electricity during that period.

(2) At the end of each 12-month period, where the electricity supplied during the period by the electric service provider exceeds the electricity generated by the eligible residential or small commercial customer-generator during that same period, the eligible residential or small commercial customer-generator is a net electricity consumer and the electric service provider shall be owed compensation for the eligible customer-generator's net kilowatthour consumption over that same period. The

compensation owed for the eligible residential or small commercial customer-generator's consumption shall be calculated as follows:

(A) For all eligible customer-generators taking service under tariffs employing "baseline" and "over baseline" rates, any net monthly consumption of electricity shall be calculated according to the terms of the contract or tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible customer-generator. If those same customer-generators are net generators over a billing period, the net kilowatthours generated shall be valued at the same price per kilowatthour as the electric service provider would charge for the baseline quantity of electricity during that billing period, and if the number of kilowatthours generated exceeds the baseline quantity, the excess shall be valued at the same price per kilowatthour as the electric service provider would charge for electricity over the baseline quantity during that billing period.

(B) For all eligible customer-generators taking service under tariffs employing "time of use" rates, any net monthly consumption of electricity shall be calculated according to the terms of the contract or tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible customer-generator. When those same customer-generators are net generators during any discrete time of use period, the net kilowatthours produced shall be valued at the same price per kilowatthour as the electric service provider would charge for retail kilowatthour sales during that same time of use period. If the eligible customer-generator's time of use electrical meter is unable to measure the flow of electricity in two directions, paragraph (3) of subdivision (b) shall apply.

(C) For all residential and small commercial customer-generators and for each billing period, the net balance of moneys owed to the electric service provider for net consumption of electricity or credits owed to the customer-generator for net generation of electricity shall be carried forward as a monetary value until the end of each 12-month period. For all commercial, industrial, and agricultural customer-generators the net balance of moneys owed shall be paid in accordance with the electric service provider's normal billing cycle, except that if the commercial, industrial, or

agricultural customer-generator is a net electricity producer over a normal billing cycle, any excess kilowatthours generated during the billing cycle shall be carried over to the following billing period as a monetary value, calculated according to the procedures set forth in this section, and appear as a credit on the customer-generator's account, until the end of the annual period when paragraph (3) shall apply.

(3) At the end of each 12-month period, where the electricity generated by the eligible customer-generator during the 12-month period exceeds the electricity supplied by the electric service provider during that same period, the eligible customer-generator is a net electricity producer and the electric service provider shall retain any excess kilowatthours generated during the prior 12-month period. The eligible customer-generator shall not be owed any compensation for those excess kilowatthours unless the electric service provider enters into a purchase agreement with the eligible customer-generator for those excess kilowatthours.

(4) The electric service provider shall provide every eligible residential or small commercial customer-generator with net electricity consumption information with each regular bill. That information shall include the current monetary balance owed the electric service provider for net electricity consumed since the last 12-month period ended. Notwithstanding this subdivision, an electric service provider shall permit that customer to pay monthly for net energy consumed.

(5) If an eligible residential or small commercial customer-generator terminates the customer relationship with the electric service provider, the electric service provider shall reconcile the eligible customer-generator's consumption and production of electricity during any part of a 12-month period following the last reconciliation, according to the requirements set forth in this subdivision, except that those requirements shall apply only to the months since the most recent 12-month bill.

(6) If an electric service provider providing net metering to a residential or small commercial customer-generator ceases providing that electrical service to that customer during any 12-month period, and the customer-generator enters into a new net metering contract or tariff with a new electric service provider, the 12-month period, with respect to that new electric

service provider, shall commence on the date on which the new electric service provider first supplies electric service to the customer-generator.

(i) Notwithstanding any other provisions of this section, the following provisions shall apply to an eligible customer-generator with a capacity of more than 10 kilowatts, but not exceeding one megawatt, that receives electrical service from a local publicly owned electric utility, as defined in Section 9604, that has elected to utilize a co-energy metering program unless the electric service provider chooses to provide service for eligible customer-generators with a capacity of more than 10 kilowatts in accordance with subdivisions (g) and (h):

(1) The eligible customer-generator shall be required to utilize a meter, or multiple meters, capable of separately measuring electricity flow in both directions. All meters shall provide "time-of-use" measurements of electricity flow, and the customer shall take service on a time-of-use rate schedule. If the existing meter of the eligible customer-generator is not a time-of-use meter or is not capable of measuring total flow of energy in both directions, the eligible customer-generator shall be responsible for all expenses involved in purchasing and installing a meter that is both time-of-use and able to measure total electricity flow in both directions. This subdivision shall not restrict the ability of an eligible customer-generator to utilize any economic incentives provided by a government agency or the electric service provider to reduce its costs for purchasing and installing a time-of-use meter.

(2) The consumption of electricity from the electric service provider shall result in a cost to the eligible customer-generator to be priced in accordance with the standard rate charged to the eligible customer-generator in accordance with the rate structure to which the customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility. The generation of electricity provided to the electric service provider shall result in a credit to the eligible customer-generator and shall be priced in accordance with the generation component, established under the applicable structure to which the customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility.

(3) All costs and credits shall be shown on the eligible customer-generator's bill for each billing period. In any months in which the eligible customer-generator has been a net consumer of electricity calculated on the basis of value determined pursuant to paragraph (2), the customer-generator shall owe to the electric service provider the balance of electricity costs and credits during that billing period. In any billing period in which the eligible customer-generator has been a net producer of electricity calculated on the basis of value determined pursuant to paragraph (2), the electric service provider shall owe to the eligible customer-generator the balance of electricity costs and credits during that billing period. Any net credit to the eligible customer-generator of electricity costs may be carried forward to subsequent billing periods, provided that an electric service provider may choose to carry the credit over as a kilowatt hour credit consistent with the provisions of any applicable tariff, including any differences attributable to the time of generation of the electricity. At the end of each 12-month period, the electric service provider may reduce any net credit due to the eligible customer-generator to zero.

(j) A solar or wind turbine electrical generating system, or a hybrid system of both, used by an eligible customer-generator shall meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories such as Underwriters Laboratories and, where applicable, rules of the Public Utilities Commission regarding safety and reliability. A customer-generator whose solar or wind turbine electrical generating system, or a hybrid system of both, meets those standards and rules shall not be required to install additional controls, perform or pay for additional tests, or purchase additional liability insurance.

(k) If the commission determines that there are cost or revenue obligations for an electric corporation, as defined in Section 218, that may not be recovered from customer-generators acting pursuant to this section, those obligations shall remain within the customer class from which any shortfall occurred and may not be shifted to any other customer class. Net-metering and co-metering customers shall not be exempt from the public benefits charge. In its report to the Legislature, the commission

shall examine different methods to ensure that the public benefits charge remains a nonbypassable charge.

(*l*) A net metering customer shall reimburse the Department of Water Resources*, or its successor, the Department of Energy,* for all charges that would otherwise be imposed on the customer by the commission to recover bond-related costs pursuant to an agreement between the commission and the ~~Department of Water Resources~~ *department* pursuant to Section 80110 of the Water Code, as well as the costs of the department equal to the share of the department's estimated net unavoidable power purchase contract costs attributable to the customer. The commission shall incorporate the determination into an existing proceeding before the commission, and shall ensure that the charges are nonbypassable. Until the commission has made a determination regarding the nonbypassable charges, net metering shall continue under the same rules, procedures, terms, and conditions as were applicable on December 31, 2002.

(m) In implementing the requirements of subdivisions (k) and (*l*), a customer-generator shall not be required to replace its existing meter except as set forth in paragraph (3) of subdivision (b), nor shall the electric service provider require additional measurement of usage beyond that which is necessary for customers in the same rate class as the eligible customer-generator.

(n) On or before January 1, 2005, the commission shall submit a report to the Governor and the Legislature that assesses the economic and environmental costs and benefits of net metering to customer-generators, ratepayers, and utilities, including any beneficial and adverse effects on public benefit programs and special purpose surcharges. The report shall be prepared by an independent party under contract with the commission.

(o) It is the intent of the Legislature that the Treasurer incorporate net energy metering and co-energy metering projects undertaken pursuant to this section as sustainable building methods or distributive energy technologies for purposes of evaluating low-income housing projects.

SEC. 272. Section 3302 of the Public Utilities Code is amended to read:

3302. As used in this division, unless the context otherwise requires, the following terms have the following meanings:

(a) "Act" means the California Consumer Power and Conservation Financing Authority Act.

(b) "Authority" means the California Consumer Power and Conservation Financing Authority established pursuant to Section 3320 and any board, commission, department, or officer succeeding to the functions thereof, or to whom the powers conferred upon the authority by this division shall be given by law. *As of the effective date of this section, the Department of Energy shall succeed to the function of the authority, and thereafter, "authority" means the Department of Energy.*

(c) ~~"Board" means the Board of Directors of the California Consumer Power and Conservation Financing Authority.~~ *(Reserved.)*

(d) "Bond purchase agreement" means a contractual agreement executed between the authority and an underwriter or underwriters and, where appropriate, a participating party, whereby the authority agrees to sell bonds issued pursuant to this division.

(e) "Bonds" means bonds, including structured, senior, and subordinated bonds or other securities; loans; notes, including bond revenue or grant anticipation notes; certificates of indebtedness; commercial paper; floating rate and variable maturity securities; and any other evidences of indebtedness or ownership, including certificates of participation or beneficial interest, asset backed certificates, or lease-purchase or installment purchase agreements, whether taxable or excludable from gross income for state and federal income taxation purposes.

(f) "Commission" means the Public Utilities Commission.

(g) "Cost," as applied to a program, project or portion thereof financed under this division, means all or any part of the cost of construction, improvement, repair, reconstruction, renovation, and acquisition of all lands, structures, improved or unimproved real or personal property, rights, rights-of-way, franchises, licenses, easements, and interests acquired or used for a project; the cost of demolishing or removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery and equipment; financing charges; the costs of any environmental mitigation; the costs of issuance of bonds

or other indebtedness; interest prior to, during, and for a period after, completion of the project, as determined by the authority; provisions for working capital; reserves for principal and interest; reserves for reduction of costs for loans or other financial assistance; reserves for maintenance, extension, enlargements, additions, replacements, renovations, and improvements; and the cost of architectural, engineering, financial, appraisal, and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incidental to determining the feasibility of any project, enterprise, or program or incidental to the completion or financing of any project or program.

(h) *"Department" means the Department of Energy.*

*(i)* "Electrical corporation" has the same meaning as that term is defined in Section 218.

~~(i) "Energy Commission" means the State Energy Resources Conservation and Development Commission.~~

(j) "Enterprise" means a revenue-producing improvement, building, system, plant, works, facilities, or undertaking used for or useful for the generation or production of electric energy for lighting, heating, and power for public or private uses. Enterprise includes, but is not limited to, all parts of the enterprise, all appurtenances to it, lands, easements, rights in land, water rights, contract rights, franchises, buildings, structures, improvements, equipment, and facilities appurtenant or relating to the enterprise.

(k) "Financial assistance" in connection with a project, enterprise or program, includes, but is not limited to, any combination of grants, loans, the proceeds of bonds issued by the authority, insurance, guarantees or other credit enhancements or liquidity facilities, and contributions of money, property, labor, or other things of value, as may be approved by resolution of the board; the purchase or retention of authority bonds, the bonds of a participating party for their retention or for sale by the authority, or the issuance of authority bonds or the bonds of a special purpose trust used to fund the cost of a project or program for which a participating party is directly or indirectly liable, including, but not limited to, bonds, the security for which is provided in whole or in part pursuant to the powers granted by this division; bonds for which the authority has provided a

guarantee or enhancement; or any other type of assistance determined to be appropriate by the authority.

(*l*) "Fund" means the California Consumer Power and Conservation Financing Authority Fund.

(m) "Loan agreement" means a contractual agreement executed between the authority and a participating party that provides that the authority will loan funds to the participating party and that the participating party will repay the principal and pay the interest and redemption premium, if any, on the loan.

(n) "Local publicly owned electric utility" has the same meaning as that term is defined in Section 9604.

(o) "Participating party" means either of the following:

(1) Any person, company, corporation, partnership, firm, federally recognized California Indian tribe, or other entity or group of entities, whether organized for profit or not for profit, engaged in business or operations within the state and that applies for financial assistance from the authority for the purpose of implementing a project or program in a manner prescribed by the authority.

(2) Any subdivision of the state or local government, including, but not limited to, departments, agencies, commissions, cities, counties, nonprofit corporations, special districts, assessment districts, and joint powers authorities within the state or any combination of these subdivisions, that has, or proposes to acquire, an interest in a project, or that operates or proposes to operate a program under Section 3365, and that makes application to the authority for financial assistance in a manner prescribed by the authority.

(p) "Program" means a program that provides financial assistance, as provided in Article 6 (commencing with Section 3365).

(q) "Project" means plants, facilities, equipment, appliances, structures, expansions, and improvements within the state that serve the purposes of this division as approved by the authority, and all activities and expenses necessary to initiate and complete those projects described in Article 5 (commencing with Section 3350) and Article 7 (commencing with Section 3368), of Chapter 3.

(r) "Revenues" means all receipts, purchase payments, loan repayments, lease payments, rents, fees and charges, and all other

income or receipts derived by the authority from an enterprise, or by the authority or a participating party from any other financing arrangement undertaken by the authority or a participating party, including, but not limited to, all receipts from a bond purchase agreement, and any income or revenue derived from the investment of any money in any fund or account of the authority or a participating party.

(s) "State" means the State of California.

SEC. 273. Section 3310 of the Public Utilities Code is amended to read:

3310. The ~~authority~~ *department* may only exercise its powers pursuant to Article 4 (commencing with Section 3340) of Chapter 3 for the following purposes:

(a) Establish, finance, purchase, lease, own, operate, acquire, or construct generating facilities and other projects and enterprises, on its own or through agreements with public and private third parties or joint ventures with public or private entities, or provide financial assistance for projects or programs by participating parties, to supplement private and public sector power supplies, taking into account generation facilities in operation or under development as of the effective date of this section, and to ensure a sufficient and reliable supply of electricity for California's consumers at just and reasonable rates.

(b) Finance programs, administered by the ~~Energy Commission~~ *department*, the commission, and other approved participating parties for consumers and businesses to invest in cost-effective energy efficient appliances, renewable energy projects, and other programs that will reduce the demand for energy in California.

(c) Finance natural gas transportation and storage projects under Article 7 (commencing with Section 3368) of Chapter 3.

(d) Achieve an adequate energy reserve capacity in California within five years of the effective date of this division.

(e) Provide financing for owners of aged, inefficient, electric powerplants to perform necessary retrofits to improve the efficiency and environmental performances of those powerplants.

SEC. 274. Section 3320 of the Public Utilities Code is amended to read:

3320. (a) ~~There is hereby created in the state government the California Consumer Power and Conservation Financing~~

~~Authority, which~~ *The department, also referred to in this division as the authority,* shall be responsible for administering this division.

(b) The ~~authority~~ *department* shall implement the purposes of Chapter 2 (commencing with Section 3310), and to that end finance projects and programs in accordance with this division, all to the mutual benefit of the people of the state and to protect their health, welfare, and safety.

SEC. 275. Section 3325 of the Public Utilities Code is repealed.

~~3325. (a) The authority shall be governed by a five-member board of directors that shall consist of the following persons:~~

~~(1) Four individuals appointed by the Governor, subject to confirmation by the Senate. These four members shall have considerable experience in power generation, natural gas transportation or storage, energy conservation, financing, or ratepayer advocacy.~~

~~(2) The State Treasurer.~~

~~(b) (1) For the initial term, the appointed members shall serve staggered terms as follows:~~

~~(A) The member appointed first shall serve a term of four years.~~

~~(B) The member appointed second shall serve a term of three years.~~

~~(C) The member appointed third shall serve a term of two years.~~

~~(D) The member appointed fourth shall serve a term of one year.~~

~~(2) The second and any subsequent terms shall be for four years.~~

~~(c) A quorum is necessary for any action to be taken by the board. Three of the members shall constitute a quorum, and the affirmative vote of three board members shall be necessary for any action to be taken by the board.~~

~~(d) (1) The chairperson of the board shall be appointed by the Governor. This position shall be a full-time, paid position.~~

~~(2) Except as provided in this subdivision, the members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred in the performance of their duties to the extent that reimbursement for these expenses is~~

~~not otherwise provided or payable by another public agency, and shall receive one hundred dollars ($100) for each full day of attending meetings of the authority.~~

SEC. 276. Section 3326 of the Public Utilities Code is repealed.

~~3326. (a) The members of the board shall be subject to the Political Reform Act of 1974 (Title 9 (commencing with Section 81000)) of the Government Code, and all other applicable provisions of law.~~

~~(b) The board may purchase insurance for its fiduciaries or for itself to cover liability or losses occurring by reason of the act or omission of a fiduciary, if the insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by the fiduciary.~~

SEC. 277. Section 3327 of the Public Utilities Code is repealed.

~~3327. Meetings of the board shall be open to the public and shall be conducted in accordance with the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).~~

SEC. 278. Section 3330 of the Public Utilities Code is amended to read:

3330. ~~The chief executive officer shall manage and conduct the business and affairs of the authority and the fund subject to the direction of the board.~~ Except as otherwise provided in this section, the ~~board~~ *department* may assign to ~~the executive director, by resolution~~ *a designee*, those duties generally necessary or convenient to carry out its powers and purposes under this division. Any action involving final approval of any bonds, notes, loans, or other financial assistance shall require the approval of ~~a majority of the members of the board~~ *the department*.

SEC. 279. Section 3340 of the Public Utilities Code is repealed.

~~3340. The authority is authorized and empowered to do any of the following:~~

~~(a) Adopt an official seal.~~

~~(b) Sue and be sued in its own name.~~

~~(c) Employ or contract with officers and employees to administer the authority. The authority may contract for the services of a chief executive officer, who shall serve at the pleasure of the board. If the chief executive officer contracts for the services of any other officer or employee, the contract shall be subject to the approval of the board.~~

~~(d) Exercise the power of eminent domain.~~

~~(e) Adopt rules and regulations for the regulation of its affairs and the conduct of its business.~~

~~(f) Do all things generally necessary or convenient to carry out its powers under, and the purposes of, this division.~~

SEC. 280. Section 3340 is added to the Public Utilities Code, to read:

3340. The department is authorized and empowered to do all things generally necessary or convenient to carry out its powers under, and the purposes of, this division.

(a) Except as provided in subdivision (b), no bonding authority under this division shall be utilized by the department unless the Secretary of Energy has delivered to the Joint Legislative Budget Committee written notice of intent to exercise such authority at least 30 days in advance. The notice shall reasonably describe the purpose for which the bonding authority will be used and the circumstances that support its use.

(b) If the proposed exercise of authority is in response to a declared emergency by the Governor, notice by the Secretary of Energy is not required to be delivered 30 days in advance but shall be delivered to the Joint Legislative Budget Committee as close to 30 days in advance as is feasible under the circumstances.

SEC. 281. Section 3341 of the Public Utilities Code is amended to read:

3341. In connection with the purposes of this division, the ~~authority~~ *department* may do any ~~or all~~ of the following:

(a) Issue bonds, from time to time, as further provided in Chapter 5 (commencing with Section 3380.1), to pay all or part of the cost of any enterprise, project, or program, or to otherwise carry out the purposes of this division.

(b) Enter into joint powers agreements with eligible public agencies pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code.

(c) Subject to any statutory or constitutional limitation on their use, do any of the following as may, in the determination of the ~~authority~~ *department*, be necessary or convenient for the successful development, conduct, or financing of a project, program, or enterprise, or for carrying out the purposes of this division:

(1) Engage the services, including, without limitation, the services of private consultants; attorneys; financial professionals and advisors; engineers; architects; construction, land use and environmental experts; and accountants, to render professional and technical assistance and advice.

(2) Contract for engineering, architectural, accounting, or other services of appropriate state agencies.

(3) Pay the reasonable costs, including, without limitation, costs of consulting engineers, architects, accountants, and construction, land use, and environmental experts employed by the ~~authority~~ *department* or any participating party. Except as otherwise provided in Section 3341.5, those costs shall be recovered from participating parties.

(d) Acquire, lease, take title to, and sell by installment sale or otherwise, lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and other interests in lands that are located within the state, as the ~~authority~~ *department* determines to be necessary or convenient for an enterprise or the financing of a project, upon terms and conditions the ~~authority~~ *department* considers to be reasonable.

(e) Make, receive, or serve as a conduit for the making of, or otherwise provide for, grants, contributions, guarantees, insurance, credit enhancements or liquidity facilities, or other financial enhancements to a participating party as financial assistance for a project or program. The sources may include bond proceeds, dedicated taxes, state appropriations, federal appropriations, federal grants and loan funds, public and private sector retirement system funds, and proceeds of loans from the Pooled Money Investment Account, or any other source of money, property, labor, or other things of value.

(f) Make loans to any participating party, either directly or by making a loan to a lending institution or other financial intermediary, in connection with the financing of a project or program in accordance with an agreement between the ~~authority~~

*department* and a participating party, either as a sole lender or in participation with other lenders.

(g) Make loans to any participating party, either directly or by making a loan to a lending institution, in accordance with an agreement between the ~~authority~~ *department* and the participating party to refinance indebtedness incurred by the participating party in connection with projects undertaken and completed prior to any agreement with the ~~authority~~ *department* or expectation that the ~~authority~~ *department* would provide financing, either as a sole lender or in participation with other lenders. The power generated by those projects shall be subject to the terms and conditions specified by the ~~authority~~ *department* in the agreement and pursuant to Section 3351.

(h) Mortgage all or any portion of the ~~authority's~~ *department's* interest in a project or enterprise and the property on which any project or enterprise is located, whether owned or thereafter acquired, including the granting of a security interest in any property, tangible or intangible.

(i) Assign or pledge all or any portion of the ~~authority's~~ *department's* interest in assets, things of value, mortgages, deeds of trust, bonds, bond purchase agreements, loan agreements, indentures of mortgage or trust, or similar instruments, notes, and security interests in property, tangible or intangible and the revenues therefrom, of a participating party to which the ~~authority~~ *department* has made loans, and the revenues therefrom, including payment or income from any interest owned or held by the ~~authority~~ *department*, for the benefit of the holders of bonds.

(j) Lease the project being financed to a participating party, upon terms and conditions that the ~~authority~~ *department* deems proper; charge and collect rents therefor; terminate any lease upon the failure of the lessee to comply with any of the obligations thereof; include in any lease, if desired, provisions that the lessee shall have options to renew the lease for a period or periods, and at rents determined by the ~~authority~~ *department*; purchase any or all of the project; or, upon payment of all the indebtedness incurred by the ~~authority~~ *department* for the financing of the project, the ~~authority~~ *department* may convey, any or all of the project to the lessee or lessees. The power generated by those projects shall be subject to the terms and

conditions specified by the ~~authority~~ *department* in the agreement and pursuant to Section 3351.

(k) (1) Issue, obtain, or aid in obtaining, from any department or agency of the United States, from other agencies of the state, or from any private company, any insurance or guarantee to or for, or any letter or line of credit regarding, the payment or repayment of interest or principal, or both, or any part thereof, on any bond, loan, lease, or obligation or any instrument evidencing or securing the same, made or entered into pursuant to this division.

(2) Notwithstanding any other provision of this division, enter into any agreement, contract or other instrument regarding any insurance, guarantee, letter or line of credit specified in paragraph (1), and accept payment in the manner and form provided therein in the event of default by a participating party.

(3) Assign any insurance, guarantee, letter or line of credit specified in paragraph (1) as security for bonds issued by the ~~authority~~ *department*.

(*l*) Enter into any agreement or contract, execute any instrument, and perform any act or thing necessary or convenient to, directly or indirectly, secure the ~~authority's~~ *department's* bonds or a participating party's obligations to the ~~authority~~ *department*, including, but not limited to, bonds of a participating party purchased by the ~~authority~~ *department* for retention or sale, with funds or moneys that are legally available and that are due or payable to the participating party by reason of any grant, allocation, apportionment, or appropriation of the state or agencies thereof, to the extent that the Controller shall be the custodian at any time of these funds or moneys, or with funds or moneys that are or will be legally available to the participating party, the ~~authority~~ *department*, or the state or any agencies thereof by reason of any grant, allocation, apportionment, or appropriation of the federal government or agencies thereof; and in the event of written notice that the participating party has not paid or is in default on its obligations to the ~~authority~~ *department*, direct the Controller to withhold payment of those funds or moneys from the participating party over which it is or will be custodian and to pay the same to the ~~authority~~ *department* or its assignee, or direct the state or any agencies thereof to which any grant, allocation, apportionment, or appropriation of

the federal government or agencies thereof is or will be legally available to pay the same upon receipt to the ~~authority~~ *department* or its assignee, until the default has been cured and the amounts then due and unpaid have been paid to the ~~authority~~ *department* or its assignee, or until arrangements satisfactory to the ~~authority~~ *department* have been made to cure the default.

(m) Purchase, with the proceeds of the ~~authority's~~ *department's* bonds, bonds issued by, or for the benefit of, any participating party in connection with a project, pursuant to a bond purchase agreement or otherwise. Bonds purchased pursuant to this division may be held by the ~~authority~~ *department*, pledged or assigned by the ~~authority~~ *department*, or sold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other bonds issued by the ~~authority~~ *department*, and notwithstanding any other provision of law, may be bought by the ~~authority~~ *department* at private sale.

(n) Enter into purchase and sale agreements with all entities, public and private, including state and local government pension funds, with respect to the sale or purchase of bonds.

SEC. 282. Section 3341.1 of the Public Utilities Code is amended to read:

3341.1. In connection with an enterprise, the ~~authority~~ *department* may do any or all of the following:

(a) Acquire any enterprise by gift, purchase, or eminent domain as necessary to achieve the purposes of the ~~authority~~ *department* pursuant to Sections 3310 and 3352.

(b) Construct or improve any enterprise. By gift, lease, purchase, eminent domain, or otherwise, it may acquire any real or personal property, for an enterprise, except that no property of a state public body may be acquired without its consent. The ~~authority~~ *department* may sell, lease, exchange, transfer, assign, or otherwise dispose of any real or personal property or any interest in such property. It may lay out, open, extend, widen, straighten, establish, or change the grade of any real property or public rights-of-way necessary or convenient for any enterprise.

(c) Operate, maintain, repair, or manage all or any part of any enterprise, including the leasing for commercial purposes of surplus space or other space that is not economic to use for such enterprise.

(d) Adopt reasonable rules or regulations for the conduct of the enterprise.

(e) Prescribe, revise, and collect charges for the services, facilities, or energy furnished by the enterprise. The charges shall be established and adjusted so as to provide funds sufficient with other revenues and moneys available therefor, if any, to (1) pay the principal of and interest on outstanding bonds of the ~~authority~~ *department* financing such enterprise as the same shall become due and payable, (2) create and maintain reserves, including, without limitation, operating and maintenance reserves and reserves required or provided for in any resolution authorizing, or trust agreement securing such bonds, and (3) pay operating and administrative costs of the ~~authority~~ *department*.

(f) Execute all instruments, perform all acts, and do all things necessary or convenient in the exercise of the powers granted by this article.

SEC. 283. Section 3341.2 of the Public Utilities Code is amended to read:

3341.2. In connection with a project, the ~~authority~~ *department* may do any or all of the following:

(a) Determine the location and character of any project to be financed under this division.

(b) Acquire, construct, enlarge, remodel, renovate, alter, improve, furnish, equip, own, maintain, manage, repair, operate, lease as lessee or lessor, or regulate any project to be financed under this division.

(c) Contract with any participating party for the construction of a project by such participating party.

(d) Enter into leases and agreements, as lessor or lessee, with any participating party relating to the acquisition, construction, and installation of any project, including real property, buildings, equipment, and facilities of any kind or character.

(e) Establish, revise, charge and collect rates, rents, fees and charges for a project. The rates, rents, fees, and charges shall be established and adjusted in respect of the aggregate rates, rents, fees, and charges from all projects so as to provide funds sufficient with other revenues and moneys available therefor, if any, to (1) pay the principal of and interest on outstanding bonds of the ~~authority~~ *department* financing such project as the same shall become due and payable, (2) create and maintain reserves,

including, without limitation, operating and maintenance reserves and reserves required or provided for in any resolution authorizing, or trust agreement securing such bonds, and (3) pay operating and administrative costs of the ~~authority~~ *department*.

(f) Enter into contracts of sale with any participating party covering any project financed by the ~~authority~~ *department*.

(g) As an alternative to leasing or selling a project to a participating party, finance the acquisition, construction, or installation of a project by means of a loan to the participating party.

(h) Execute all instruments, perform all acts, and do all things necessary or convenient in the exercise of the powers granted by this article.

SEC. 284. Section 3345 of the Public Utilities Code is amended to read:

3345. The ~~authority's~~ *department's* operating budget *under this division* shall be subject to review and appropriation in the annual Budget Act. For purposes of this section, the ~~authority's~~ *department's* operating budget *under this division* shall include the costs of personnel, administration, and overhead *attributable to carrying out its duties under this division*.

SEC. 285. Section 3370 of the Public Utilities Code is amended to read:

3370. (a) There is hereby created in the State Treasury the California Consumer Power and Conservation Financing ~~Authority~~ Fund for expenditure by the ~~authority~~ *department* for the purpose of implementing the objectives and provisions of this division. For the purposes of subdivision (e), or as necessary or convenient to the accomplishment of any other purpose of the ~~authority~~ *department*, the ~~authority~~ *department* may establish within the fund additional and separate accounts and subaccounts.

(b) The assets of the fund shall be available for the payment of the salaries and other expenses charged against it in accordance with this division.

(c) Except as provided under Section 3345, all moneys in the fund that are not General Fund moneys are continuously appropriated to the ~~authority~~ *department* and may be used for any reasonable costs which may be incurred by the ~~authority~~ *department* in the exercise of its powers under this division.

(d) The fund, on behalf of the ~~authority~~ *department*, may borrow or receive moneys from the ~~authority~~ *department*, or from any federal, state, or local agency or private entity, to create reserves in the fund as provided in this division and as authorized by the board.

(e) The ~~authority~~ *department* may pledge any or all of the moneys in the fund (including in any account or subaccount) as security for payment of the principal of, and interest on, any particular issuance of bonds issued pursuant to this division.

(f) The ~~authority~~ *department*, may, from time to time, direct the Treasurer to invest moneys in the fund that are not required for the ~~authority's~~ *department's* current needs, including proceeds from the sale of any bonds, in any securities permitted by law as the ~~authority~~ *department* shall designate. The ~~authority~~ *department* also may direct the Treasurer to deposit moneys in interest-bearing accounts in state or national banks or other financial institutions having principal offices in this state. The ~~authority~~ *department* may alternatively require the transfer of moneys in the fund to the Surplus Money Investment Fund for investment pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of the Government Code. All interest or other increment resulting from an investment or deposit shall be deposited in the fund, notwithstanding Section 16305.7 of the Government Code. Moneys in the fund shall not be subject to transfer to any other fund pursuant to any provision of Part 2 (commencing with Section 16300) of Division 4 of the Government Code, excepting the Surplus Money Investment Fund.

SEC. 286. Section 9502 of the Public Utilities Code is amended to read:

9502. On or before December 1, 1994, and on a biennial basis thereafter, each publicly owned electric and gas utility shall submit a report to the ~~State Energy Resources Conservation and Development Commission~~ *Department of Energy* describing the status of their low-income weatherization programs required by Sections 9500 and 9501. Thereafter, as part of the biennial conservation report prepared pursuant to Section 25401.1 of the Public Resources Code, the ~~commission~~ *department* shall report to the Legislature summarizing publicly owned utility efforts to comply with Sections 9500 and 9501.

SEC. 287. Section 80000 of the Water Code is amended to read:

80000. The Legislature hereby finds and declares all of the following:

(a) The furnishing of reliable reasonably priced electric service is essential for the safety, health, and well-being of the people of California. A number of factors have resulted in a rapid, unforeseen shortage of electric power and energy available in the state and rapid and substantial increases in wholesale energy costs and retail energy rates, with statewide impact, to such a degree that it constitutes an immediate peril to the health, safety, life and property of the inhabitants of the state, and the public interest, welfare, convenience and necessity require the state to participate in markets for the purchase and sale of power and energy.

(b) In order for the ~~department~~ *state* to adequately and expeditiously undertake and administer the critical responsibilities established in this division, it must be able to obtain, in a timely manner, additional and sufficient personnel with the requisite expertise and experience in energy marketing, energy scheduling, and accounting.

SEC. 288. Section 80001 is added to the Water Code, to read:

80001. The Department of Energy hereby succeeds to and is vested with all powers, duties, rights, assets, responsibilities, obligations, liabilities, and jurisdiction previously vested with the Department of Water Resources under this division. Whenever the term "department" is used in this division, it shall henceforth mean the Department of Energy. Any authority conferred upon the Department of Water Resources by any other provision of law for the purpose of carrying out any function described in this division is hereby vested in, and may be exercised by, the Department of Energy. The transfer of functions described in this division to the Department of Energy does not in any way invalidate or alter prior actions undertaken by the Department of Water Resources under this division and every instrument, obligation, rate entitlement, or other rights resulting from the prior actions remain fully in effect.

SEC. 289. Section 80001.5 is added to the Water Code, to read:

80001.5. (a) All officers and employees of the Department of Water Resources who, on the operative date of this section, are serving in the state civil service, other than as temporary employees, and are exercising any duty, power, purpose, responsibility, or jurisdiction to which the Department of Energy succeeds pursuant to Section 80001, are transferred to the Department of Energy. The status, positions, and rights of those persons existing prior to the transfer shall not be affected by the transfer and shall be retained by those persons as officers and employees of the Department of Energy, pursuant to the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5 of Title 2 of the Government), except as to positions exempted from civil service.

(b) The Department of Energy shall have possession and control of all records, papers, offices, equipment, supplies, moneys, funds, appropriations, licenses, permits, agreements, contracts, claims, judgments, and land or other property, real or personal, connected with the administration of, or held for the benefit or use of the Department of Water Resources for the performance of the functions transferred to the Department of Energy by Section 80001.

(c) All rules, orders, and decisions of the Department of Water Resources in effect immediately preceding the effective date of this section shall remain in effect and shall be fully enforceable unless and until readopted, amended, or repealed, or until they expire by their own terms.

(d) No contract, lease, license, bond, or any other agreement to which the Department of Water Resources is a party shall be void or voidable by reason of the transfer of functions to the Department of Energy by Section 80001, but shall continue in full force and effect, with the Department of Energy assuming all of the rights, obligations, liabilities, and duties of the Department of Water Resources. The assumption by the Department of Energy shall not in any way affect the rights of the parties to the contract, lease, license, bond, or other agreement.

SEC. 290. The provisions of this reorganization plan are severable. If any provision of this reorganization plan or its application is held invalid, that invalidity shall not affect other

1 provisions or applications that can be given effect without the
2 invalid provision or application.

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