

AMENDED IN ASSEMBLY JUNE 9, 2004  
AMENDED IN ASSEMBLY JULY 8, 2003  
AMENDED IN ASSEMBLY JULY 1, 2003  
AMENDED IN SENATE JUNE 4, 2003  
AMENDED IN SENATE MAY 20, 2003  
AMENDED IN SENATE APRIL 28, 2003  
AMENDED IN SENATE APRIL 10, 2003  
AMENDED IN SENATE APRIL 8, 2003

**SENATE BILL**

**No. 888**

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**Introduced by Senators Dunn, Bowen, and Burton**  
**(Coauthors: Senators Cedillo, Escutia, Karnette, Kuehl, Murray,**  
**Ortiz, Perata, and Romero)**  
(Coauthors: Assembly Members Leno, Matthews, Oropeza, and  
Steinberg)

February 21, 2003

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*An act to amend Sections 348, 352, 364, 377, 379, and 392 of, to amend and renumber Section 454.1 of, to add Sections 330.1, 330.2, 330.4, 330.6, 364.5, 367.5, 393.2, 454.51, 454.55, and 454.10 to, to repeal Sections 334, 338, 341.1, 341.5, 346, 350, 355, 356, 359, 360, 361, 367.7, 370, 373, 376, 378, 389, 391, 397, 9600, 9601, 9602, 9603, and 9605 of, and to repeal and add Section 330 of, the Public Utilities Code, relating to public utilities. An act to add Part 5 (commencing with Section 1450) to Division 2 of the Labor Code, relating to employment.*

## LEGISLATIVE COUNSEL'S DIGEST

SB 888, as amended, Dunn. ~~Public utilities: electrical restructuring~~ *Employment: homeland security.*

*Existing law, by executive order of the Governor, establishes the Office of Homeland Security.*

*This bill would prohibit the performance of any work involving information that is essential to homeland security, as defined, at a worksite located outside of the United States unless expertise or materials necessary to perform the work is not available in the United States.*

~~(1) The California Constitution establishes the Public Utilities Commission, with jurisdiction over all public utilities. Private corporations and persons that own, operate, control, or manage a line, plant, or system for the production, generation, transmission, or furnishing of heat, light, or power, directly or indirectly, to or for the public, are public utilities subject to control by the Legislature. The Constitution grants the commission certain general powers over all public utilities, including the power to fix rates and establish rules, and authorizes the Legislature, unlimited by the other provisions of the Constitution, to confer additional authority and jurisdiction upon the commission, that is cognate and germane to the regulation of public utilities. The Public Utilities Act authorizes the commission to supervise and regulate every public utility in the state, including electrical, gas, and heat corporations, subject to provisions restructuring the electrical industry.~~

~~The existing restructuring of the electrical services industry provides for the authorization of direct transactions between an electric service provider, as defined, and retail end-use customers of an electrical corporation and allows end-use customers to aggregate their loads to facilitate direct transactions. The existing restructuring of the electrical industry within the Public Utilities Act provides for the establishment of an Independent System Operator (ISO) and a Power Exchange as separately incorporated public benefit nonprofit corporations. An Electricity Oversight Board (Oversight Board) is also established to oversee the ISO and the Power Exchange in order to ensure the success of electric industry restructuring and to ensure a reliable supply of electricity in the transition to a new market structure. The ISO is required by existing law to participate in all relevant proceedings of the Federal Energy Regulatory Commission (FERC). Pursuant to an order of the FERC, the Power Exchange has ceased to function. The~~



~~Oversight Board is granted various powers including, but not limited to, requiring the revision of the bylaws of the ISO and the approval of the entry of the ISO into a multistate entity or a regional organization. Existing law authorizes the ISO and the Power Exchange to enter into a regional compact or other comparable agreement to become western states regional organizations.~~

~~Existing law requires the commission to adopt and periodically review and update maintenance, repair, and replacement standards for the distribution systems of investor-owned electric utilities, and adopt performance or prescriptive standards, or both, to provide for high quality, safe and reliable service. The commission is required to conduct a review to determine whether the standards have been met and if not, to order appropriate sanctions. Existing law requires the ISO to adopt inspection, maintenance, repair, and replacement performance or prescriptive standards, or both, for transmission facilities under its control, to provide for high quality, safe and reliable service, and to make a related report to the Oversight Board.~~

~~This bill would enact the Repeal of Electricity Deregulation Act of 2003. The bill would provide that electrical and gas corporations have an obligation to serve retail customers with reliable service at just and reasonable rates. The bill would provide that this obligation includes a duty to furnish and maintain adequate, efficient, just, and reasonable service, and to employ those instrumentalities, equipment, and facilities that are necessary to promote the safety, health, comfort, and convenience of utility customers, employees, and the public, while promoting a sustainable environment, consistent with the statutes of the state and the rules, regulations, decisions, and orders of the commission. The bill would provide that this obligation to serve also includes the obligation to plan for and provide sufficient, affordable, and reliable resources, including utility owned and procured generation resources, renewable generation resources, transmission and distribution resources, and cost-effective energy efficiency resources. The bill would require the commission to ensure that the electrical corporation is afforded the means to carry out these obligations, specifically including a reasonable opportunity to fully recover from all customers, reasonable costs to operate and maintain those resources, reasonable compensation for employees, a return of and a reasonable return on reasonable investments in utility owned generation, transmission, and distribution resources necessary to meet the above obligations, and reasonable costs for procured generation resources. The bill would~~



~~require the commission to ensure that generation assets remain dedicated for the benefit of the electrical corporation's bundled customers, and establishes standards for the recovery of costs and return on investment. The bill requires the commission to establish and implement a long-term, comprehensive integrated resource planning process that results in a balanced, reliable, environmentally responsible portfolio of supply and demand reduction resources, and to ensure that the electrical corporation's procurement plan is consistent with the long-term resource plan, to the extent feasible, and to require an electrical corporation first acquire certain cost-effective energy efficiency resources. The bill would authorize the commission to require electrical corporations to make investments in electric generation plants that are dedicated to serve customers connected to the electrical corporation's distribution system or grid, or to contract for such investment with any entity, including the California Consumer Power and Conservation Financing Authority. The commission would be required to approve rates that provide the electrical corporation a reasonable opportunity to recover its reasonable costs of operating, its reasonable investment in, and a reasonable return on its investment in electric generation plants, while protecting the interests of consumers by ensuring that electricity is provided in the most cost-effective and efficient manner.~~

~~This bill would require the commission to adopt and periodically review and update maintenance, repair, and replacement standards for the distribution systems of investor-owned electric utilities, to provide for high quality, safe and reliable service. This bill would require the ISO, in consultation with the commission, to adopt and periodically review and update inspection, maintenance, repair, and replacement standards for transmission facilities under the control of the ISO, to provide for high quality, safe and reliable service, and to adopt standards for reliability and safety during periods of emergency and disaster. The commission is required to conduct a review to determine whether the standards adopted by the commission for public utility distribution systems, and the standards adopted by the ISO for transmission facilities under its control, have been met and if not, to order appropriate sanctions. The review would be required after every major electrical outage. Because the bill would subject all transmission facilities, including those of entities that are not public utilities, to the jurisdiction of the commission, and because a violation of an order of~~



~~the commission is a crime, the bill would impose a state-mandated local program by expanding the definition of a crime.~~

~~This bill would require all metering of customer usage of electricity and customer billing to be performed by the electrical corporation and would prohibit residential and small commercial customers being required to take service under a time-differentiated rate without prior consent.~~

~~This bill would delete those provisions establishing the Power Exchange. The bill would delete provisions relative to the ISO participation in FERC activities. The bill would require the Legislature to approve the entry of the ISO into a multistate or regional transmission organization. The bill would repeal the regional compact provision. The bill would make other conforming changes. Because any violation of the Public Utilities Act is a crime, the bill would impose a state-mandated local program by changing the definition of a crime.~~

~~This bill would establish a Ratepayer Refund Account for each electrical corporation, into which would be paid in a manner and amount authorized by the commission, and dispersed for the benefit of ratepayers, any funds recovered by electrical corporations resulting from litigation or agreement relative to the charging of excessive costs for wholesale electricity by electrical generators.~~

~~(2) Existing law requires the commission to continue to regulate the facilities for the generation of electricity owned by any public utility prior to January 1, 1997, and prohibits a facility for the generation of electricity owned by a public utility from being disposed of prior to January 1, 2006. Existing law requires the commission to ensure that public utility assets remain dedicated to service for the benefit of the public.~~

~~This bill would require the commission to continue to regulate the facilities for the generation of electricity owned by any public utility and would require the commission to ensure that public utility assets remain dedicated to service for the benefit of the electrical corporation's bundled ratepayers.~~

~~(3) This bill would delete provisions relative to the restructuring of electrical service provided by publicly owned electrical utilities.~~

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



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

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

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

1 ~~SECTION 1.—Section 330 of the Public Utilities Code is~~  
2 *SECTION 1. Part 5 (commencing with Section 1450) is added*  
3 *to Division 2 of the Labor Code, to read:*

4  
5 *PART 5. HOMELAND SECURITY*  
6

7 *1450. (a) Except as otherwise provided in subdivision (b), no*  
8 *work involving information that is essential to homeland security*  
9 *shall be performed at a worksite outside of the United States.*

10 *(b) Subdivision (a) shall not apply if the expertise or materials*  
11 *necessary to perform the work is unavailable in the United States.*

12 *1451. For purposes of this part, “information essential to*  
13 *homeland security” means either of the following:*

14 *(a) Information necessary to enhance the capability of state*  
15 *and local jurisdictions to prepare for and respond to terrorist acts,*  
16 *including, but not limited to, acts of terrorism involving weapons*  
17 *of mass destruction and nuclear, radiological, incendiary,*  
18 *chemical, and explosive devices.*

19 *(b) Information relating to physical and information*  
20 *infrastructures, including, but not limited to, the*  
21 *telecommunications, energy, financial services, water, and*  
22 *transportation sectors.*

23 ~~repealed.~~

24 ~~SEC. 2.—Section 330 is added to the Public Utilities Code, to~~  
25 ~~read:~~

26 ~~330.—The act adding this section shall be known and may be~~  
27 ~~cited as the Repeal of Electricity Deregulation Act of 2003.~~

28 ~~SEC. 3.—Section 330.1 is added to the Public Utilities Code, to~~  
29 ~~read:~~

30 ~~330.1.—The Legislature finds and declares all of the following:~~

31 ~~(a) Electricity is a unique good in modern society, not a simple~~  
32 ~~commodity. Access to safe, reliable, clean, efficient, and~~  
33 ~~affordable electrical service is indispensable to the health;~~



1 ~~comfort, and well-being of every person and business in~~  
2 ~~California.~~

3 ~~(b) It is in the public interest to repudiate the failed policies of~~  
4 ~~electrical industry deregulation and instead achieve effective state~~  
5 ~~regulation of California's electrical corporations in order to~~  
6 ~~protect ratepayers, ensure adequate, safe, and efficient electrical~~  
7 ~~service, and to protect public health and the environment.~~

8 ~~(c) In carrying out its duties under this code, the commission~~  
9 ~~shall assure the provision of reliable service at the lowest~~  
10 ~~reasonable cost.~~

11 ~~SEC. 4. Section 330.2 is added to the Public Utilities Code, to~~  
12 ~~read:~~

13 ~~330.2. It is the intent of the Legislature to achieve effective~~  
14 ~~state regulation of California's public utilities in order to protect~~  
15 ~~ratepayers and ensure adequate and efficient electrical service, to~~  
16 ~~protect public health and the environment, and to pursue the~~  
17 ~~following policy goals:~~

18 ~~(a) Ensure the commission's first priority in carrying out its~~  
19 ~~duties to protect consumers.~~

20 ~~(b) Restore and affirm the public utility's obligation to serve.~~

21 ~~(c) Protect public health and the environment.~~

22 ~~(d) Establish a comprehensive integrated resource planning~~  
23 ~~process under regulation that results in a balanced, reliable,~~  
24 ~~environmentally responsible portfolio, consisting of a~~  
25 ~~cost-effective mix of customer owned, utility-owned, and~~  
26 ~~nonutility supply and demand reduction resources, and is~~  
27 ~~consistent with Sections 454.5 and 701.1 and Article 16~~  
28 ~~(commencing with Section 399.11) of this code and Chapter 4~~  
29 ~~(commencing with Section 25300) of Division 15 of the Public~~  
30 ~~Resources Code.~~

31 ~~(e) Provide an open regulatory forum where all persons~~  
32 ~~affected by public utility service and rates can observe and~~  
33 ~~participate in the decisionmaking process.~~

34 ~~SEC. 5. Section 330.4 is added to the Public Utilities Code, to~~  
35 ~~read:~~

36 ~~330.4. The actions of the commission pursuant to this part, as~~  
37 ~~they affect electrical service, shall be consistent with the findings,~~  
38 ~~declarations, and policy goals contained in this article.~~

39 ~~SEC. 6. Section 330.6 is added to the Public Utilities Code, to~~  
40 ~~read:~~



1 330.6. (a) Because of their status as public utilities pursuant  
2 to Article XII of the California Constitution, and consistent with  
3 Sections 399.2 and 451, electrical corporations and gas  
4 corporations that serve retail customers have an obligation to serve  
5 those customers with reliable service at just and reasonable rates.

6 (b) This obligation to serve includes a duty to furnish and  
7 maintain adequate, efficient, just, and reasonable service, and to  
8 employ those instrumentalities, equipment, and facilities that are  
9 necessary to promote the safety, health, comfort, and convenience  
10 of utility customers, employees, and the public, while promoting  
11 a sustainable environment, consistent with the statutes of the state  
12 and the rules, regulations, decisions, and orders of the  
13 commission. The obligation to serve includes the obligation to  
14 plan for, and provide, sufficient, affordable, and reliable resources,  
15 including utility owned and procured generation resources,  
16 renewable generation resources, transmission and distribution  
17 resources, and cost-effective energy efficiency resources.

18 (c) The commission, on behalf of end-use customers, shall  
19 ensure that the electrical corporation is afforded the means to carry  
20 out this obligation to serve, specifically including a reasonable  
21 opportunity to fully recover from all customers, in a manner  
22 determined by the commission pursuant to this code, reasonable  
23 costs to operate and maintain those resources, reasonable  
24 compensation for employees, a return of and a reasonable return  
25 on reasonable investments in utility owned generation,  
26 transmission, and distribution resources necessary to meet the  
27 obligations pursuant to subdivision (b), and reasonable costs for  
28 procured generation resources in accordance with Section 454.5.

29 SEC. 7. Section 334 of the Public Utilities Code is repealed.

30 SEC. 8. Section 338 of the Public Utilities Code is repealed.

31 SEC. 9. Section 341.1 of the Public Utilities Code is repealed.

32 SEC. 10. Section 341.5 of the Public Utilities Code is  
33 repealed.

34 SEC. 11. Section 346 of the Public Utilities Code is repealed.

35 SEC. 12. Section 348 of the Public Utilities Code is amended  
36 to read:

37 348. (a) The Independent System Operator, in consultation  
38 with the commission, shall adopt and periodically review and  
39 update inspection, maintenance, repair, and replacement standards  
40 for the transmission facilities under its control. The standards for



1 ~~each substantial type of transmission equipment or facility, shall~~  
2 ~~provide for high quality, safe, and reliable service.~~

3 ~~(b) In adopting its standards, the Independent System Operator~~  
4 ~~shall consider all of the following:~~

5 ~~(1) Cost.~~

6 ~~(2) Local geography and weather.~~

7 ~~(3) Applicable codes.~~

8 ~~(4) National electric industry practices.~~

9 ~~(5) Sound engineering judgment.~~

10 ~~(6) Experience.~~

11 ~~(e) The Independent System Operator shall also adopt~~  
12 ~~standards for reliability, and safety during periods of emergency~~  
13 ~~and disaster.~~

14 ~~(d) The Independent System Operator shall require each~~  
15 ~~transmission facility owner or operator to report annually on its~~  
16 ~~compliance with the standards. That report shall be made available~~  
17 ~~to the public.~~

18 ~~SEC. 13.—Section 350 of the Public Utilities Code is repealed.~~

19 ~~SEC. 14.—Section 352 of the Public Utilities Code is amended~~  
20 ~~to read:~~

21 ~~352.—The Independent System Operator may not enter into a~~  
22 ~~multistate regional transmission organization unless that entry is~~  
23 ~~approved by the Oversight Board and the Legislature by~~  
24 ~~concurrent resolution.~~

25 ~~SEC. 15.—Section 355 of the Public Utilities Code is repealed.~~

26 ~~SEC. 16.—Section 356 of the Public Utilities Code is repealed.~~

27 ~~SEC. 17.—Section 359 of the Public Utilities Code is repealed.~~

28 ~~SEC. 18.—Section 360 of the Public Utilities Code is repealed.~~

29 ~~SEC. 19.—Section 361 of the Public Utilities Code is repealed.~~

30 ~~SEC. 20.—Section 364 of the Public Utilities Code is amended~~  
31 ~~to read:~~

32 ~~364.—(a) The commission shall adopt and periodically review~~  
33 ~~and update inspection, maintenance, repair, and replacement~~  
34 ~~standards for the distribution systems of investor-owned electric~~  
35 ~~utilities. The standards for each substantial type of distribution~~  
36 ~~equipment or facility shall provide for high quality, safe and~~  
37 ~~reliable service.~~

38 ~~(b) In setting its standards, the commission shall consider: cost,~~  
39 ~~local geography and weather, applicable codes, national electric~~  
40 ~~industry practices, sound engineering judgment, and experience.~~



1 ~~The commission shall also adopt standards for operation,~~  
2 ~~reliability, and safety during periods of emergency and disaster.~~

3 ~~(c) The commission shall require each utility to report annually~~  
4 ~~on its compliance with the standards. That report shall be made~~  
5 ~~available to the public.~~

6 ~~SEC. 21.—Section 364.5 is added to the Public Utilities Code,~~  
7 ~~to read:~~

8 ~~364.5.—The commission shall conduct a review to determine~~  
9 ~~whether the standards prescribed in Sections 348 and 364 have~~  
10 ~~been met. If the commission finds that the standards have not been~~  
11 ~~met, the commission may order appropriate sanctions, including~~  
12 ~~penalties in the form of rate reduction or monetary fines. The~~  
13 ~~review shall be performed after every major outage. Any money~~  
14 ~~collected pursuant to this section shall be used to offset funding for~~  
15 ~~the California Alternative Rates for Energy Program.~~

16 ~~SEC. 22.—Section 367.5 is added to the Public Utilities Code,~~  
17 ~~to read:~~

18 ~~367.5.—The commission shall establish a Ratepayer Refund~~  
19 ~~Account for each electrical corporation. All refunds, net of~~  
20 ~~litigation costs as authorized by the commission, recovered by an~~  
21 ~~electrical corporation, either directly or indirectly, by way of offset~~  
22 ~~against amounts otherwise owed by the electrical corporation,~~  
23 ~~resulting from any litigation or agreement relative to the charging~~  
24 ~~of excessive costs for wholesale electricity by electrical~~  
25 ~~generators, traders, and suppliers that have been recovered, or are~~  
26 ~~recoverable, from ratepayers in commission approved rates, shall~~  
27 ~~be credited to the electrical corporation's Ratepayer Refund~~  
28 ~~Account in an amount and manner authorized by the commission~~  
29 ~~and dispersed for the benefit of ratepayers.~~

30 ~~SEC. 23.—Section 367.7 of the Public Utilities Code is~~  
31 ~~repealed.~~

32 ~~SEC. 24.—Section 370 of the Public Utilities Code is repealed.~~

33 ~~SEC. 25.—Section 373 of the Public Utilities Code is repealed.~~

34 ~~SEC. 26.—Section 376 of the Public Utilities Code is repealed.~~

35 ~~SEC. 27.—Section 377 of the Public Utilities Code is amended~~  
36 ~~to read:~~

37 ~~377.—The commission shall regulate the facilities for the~~  
38 ~~generation of electricity owned by any public utility pursuant to~~  
39 ~~subdivision (b) of Section 454.10. Notwithstanding any other~~  
40 ~~provision of law, no facility for the generation of electricity owned~~



1 by a public utility may be disposed of prior to January 1, 2010. The  
2 commission shall ensure that public utility generation assets  
3 remain dedicated for the benefit of the electrical corporation's  
4 bundled customers.

5 ~~SEC. 28.—Section 378 of the Public Utilities Code is repealed.~~

6 ~~SEC. 29.—Section 379 of the Public Utilities Code is amended~~  
7 ~~to read:~~

8 ~~379.—Nuclear decommissioning costs shall be recovered as a~~  
9 ~~nonbypassable charge until the costs are fully recovered. Recovery~~  
10 ~~of decommissioning costs may be accelerated to the extent~~  
11 ~~possible.~~

12 ~~SEC. 30.—Section 389 of the Public Utilities Code is repealed.~~

13 ~~SEC. 31.—Section 391 of the Public Utilities Code is repealed.~~

14 ~~SEC. 32.—Section 392 of the Public Utilities Code is amended~~  
15 ~~to read:~~

16 ~~392.—Electrical corporations shall disclose each component of~~  
17 ~~the electrical bill as directed by the commission.~~

18 ~~SEC. 33.—Section 393.2 is added to the Public Utilities Code,~~  
19 ~~to read:~~

20 ~~393.2.—(a) All metering of customer usage of electricity and~~  
21 ~~customer billing shall be performed by the electrical corporation.~~

22 ~~(b) No residential or small commercial customer with average~~  
23 ~~usage of less than 1,000 kilowatthours per month may be required~~  
24 ~~to take service under a time-differentiated rate.~~

25 ~~(c) Nothing in this article limits the commission's power or~~  
26 ~~authority with respect to the contents or nature of customer billing.~~  
27 ~~The commission may require an electrical corporation to~~  
28 ~~aggregate a customer's multiple accounts into a single bill, so long~~  
29 ~~as the cost for that activity is recoverable in rates.~~

30 ~~SEC. 34.—Section 397 of the Public Utilities Code is repealed.~~

31 ~~SEC. 35.—Section 454.51 is added to the Public Utilities Code,~~  
32 ~~to appear immediately following Section 454.5, to read:~~

33 ~~454.51.—(a) An incentive mechanism established pursuant to~~  
34 ~~paragraph (2) of subdivision (c) of Section 454.5 for energy supply~~  
35 ~~resources shall provide comparable performance standard~~  
36 ~~incentives for demand reduction resources.~~

37 ~~(b) The commission shall ensure timely recovery of the~~  
38 ~~reasonable costs of all cost-effective energy efficiency and other~~  
39 ~~demand reduction programs incurred pursuant to the electrical~~  
40 ~~corporation's procurement plan authorized pursuant to Section~~



1 ~~454.5 that exceed the funding provided through the corporation's~~  
2 ~~system benefits change established pursuant to Section 399.8.~~

3 ~~SEC. 36. Section 454.55 is added to the Public Utilities Code,~~  
4 ~~to appear immediately following Section 454.51, to read:~~

5 ~~454.55. (a) The commission shall establish and implement a~~  
6 ~~long-term, comprehensive integrated resource planning process~~  
7 ~~that results in a balanced, reliable, environmentally responsible~~  
8 ~~portfolio of supply and demand reduction resources, and is~~  
9 ~~consistent with Sections 454.5 and 701.1, Article 16 (commencing~~  
10 ~~with Section 399.11), and Chapter 4 (commencing with Section~~  
11 ~~25300) of Division 15 of the Public Resources Code.~~

12 ~~(b) The commission shall ensure that the implementation of an~~  
13 ~~electrical corporation's procurement plan is consistent with the~~  
14 ~~long-term resource plan, to the extent feasible.~~

15 ~~(c) The commission shall require an electrical corporation,~~  
16 ~~when implementing its procurement plan, to first acquire all~~  
17 ~~available cost-effective energy efficiency resources that cost~~  
18 ~~effectively meet utility resources needs compared to other~~  
19 ~~available long-term resource options.~~

20 ~~SEC. 37. Section 454.1 of the Public Utilities Code, as added~~  
21 ~~by Chapter 1040 of the Statutes of 2000, is amended and~~  
22 ~~renumbered to read:~~

23 ~~454.6. (a) Reasonable expenditures by transmission owners~~  
24 ~~that are electrical corporations to plan, design, and engineer~~  
25 ~~reconfiguration, replacement, or expansion of transmission~~  
26 ~~facilities or other cost-effective transmission alternatives,~~  
27 ~~including demand-side alternatives, that meet identified need, are~~  
28 ~~in the public interest and are deemed prudent if made for the~~  
29 ~~purpose of providing delivery of lower cost electricity to~~  
30 ~~ratepayers, or maintaining or enhancing reliability, whether or not~~  
31 ~~these expenditures are for transmission facilities that become~~  
32 ~~operational.~~

33 ~~(b) The commission and the Electricity Oversight Board shall~~  
34 ~~jointly facilitate the efforts of the state's transmission owning~~  
35 ~~electrical corporations to obtain authorization from the Federal~~  
36 ~~Energy Regulatory Commission to recover reasonable~~  
37 ~~expenditures made for the purposes stated in subdivision (a).~~

38 ~~(c) Nothing in this section alters or affects the recovery of the~~  
39 ~~reasonable costs of other electric facilities in rates pursuant to the~~  
40 ~~commission's existing ratemaking authority under this code or~~



1 pursuant to the Federal Power Act ( Ch. 12 (commencing with  
2 Section 791a), Title 16, U.S.C.). The commission may  
3 periodically review and adjust depreciation schedules and rates  
4 authorized for an electric plant that is under the jurisdiction of the  
5 commission and owned by electrical corporations and periodically  
6 review and adjust depreciation schedules and rates authorized for  
7 a gas plant that is under the jurisdiction of the commission and  
8 owned by gas corporations, consistent with this code.

9 SEC. 38. Section 454.10 is added to the Public Utilities Code,  
10 to read:

11 454.10. (a) Consistent with Article 16 (commencing with  
12 Section 399.11), Sections 454.5, 701.1, and 762, and Chapter 4  
13 (commencing with Section 25300) of Division 15 of the Public  
14 Resources Code, and in order to ensure that service provided by  
15 electrical corporations is environmentally clean, efficient,  
16 cost-effective to ratepayers, and adequate, the commission may  
17 require an electrical corporation that provides distribution service  
18 to make direct investments in, or contract with any entity, public  
19 or private, for, electric generation plants that are dedicated to serve  
20 the customers connected to the electrical corporation's distribution  
21 system or grid, consistent with the plan approved by the  
22 commission pursuant to Section 454.5.

23 (b) After a hearing, the commission shall approve rates that  
24 provide the electrical corporation a reasonable opportunity to  
25 recover its reasonable costs of operating, its reasonable investment  
26 in, and a reasonable return on its investment in the electric  
27 generation plants, in accordance with Sections 330.6, 451, and  
28 1005.5.

29 (c) An electrical corporation may meet the obligations of this  
30 section by contracting with or entering into projects for  
31 construction of electric generation plants jointly with any entity,  
32 including, without limitation, the California Consumer Power and  
33 Conservation Financing Authority, California municipalities,  
34 cooperatives, and joint powers authorities.

35 (d) Direct investment in electric generation plants is not the  
36 exclusive method for electrical corporations to fulfill their  
37 obligation to serve retail customers at just and reasonable rates.  
38 Consistent with Section 583, the commission shall implement this  
39 section through a transparent process that achieves a balanced,



1 reliable, environmentally responsible and cost-effective resource  
2 portfolio.

3 (e) This section does not limit or affect the requirements for  
4 utilization of cost-effective energy conservation and renewable  
5 resources established pursuant to this division.

6 (f) The commission shall protect the interests of consumers by  
7 ensuring that investments made pursuant to this section, either  
8 rate-based utility investments or long-term contracts with other  
9 suppliers, result in the most cost-effective and efficient provision  
10 of electricity to consumers.

11 SEC. 39. Section 9600 of the Public Utilities Code is  
12 repealed.

13 SEC. 40. Section 9601 of the Public Utilities Code is  
14 repealed.

15 SEC. 41. Section 9602 of the Public Utilities Code is  
16 repealed.

17 SEC. 42. Section 9603 of the Public Utilities Code is  
18 repealed.

19 SEC. 43. Section 9605 of the Public Utilities Code is  
20 repealed.

21 SEC. 44. The provisions of this act are severable. If any  
22 provision of this act or its application is held invalid, that invalidity  
23 shall not affect other provisions or applications that can be given  
24 effect without the invalid provision or application.

25 SEC. 45. It is the intent of the Legislature to reaffirm, without  
26 requiring revision, California's doctrine, as reflected in regulatory  
27 and judicial decisions, regarding electrical corporations'  
28 reasonable opportunity to recover costs and investments and the  
29 reasonable opportunity to attract capital for investment on  
30 reasonable terms.

31 SEC. 46. No reimbursement is required by this act pursuant  
32 to Section 6 of Article XIII B of the California Constitution  
33 because the only costs that may be incurred by a local agency or  
34 school district will be incurred because this act creates a new crime  
35 or infraction, eliminates a crime or infraction, or changes the  
36 penalty for a crime or infraction, within the meaning of Section  
37 17556 of the Government Code, or changes the definition of a



1 ~~crime within the meaning of Section 6 of Article XIII B of the~~  
2 ~~California Constitution.~~

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