

**ASSEMBLY BILL**

**No. 1362**

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**Introduced by Assembly Member Levine**

February 22, 2005

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An act to amend Section 25740 of the Public Resources Code, to amend Sections 399.11, 399.12, 399.13, 399.14, and 399.15 of, and to add Section 399.17 to, the Public Utilities Code, relating to renewable energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1362, as introduced, Levine. Renewable energy: California Renewables Portfolio Standard Program: renewable energy credits.

(1) Existing law expresses the intent of the Legislature, in establishing the Renewable Energy Resources Program, to increase the amount of renewable electricity generated per year, so that it equals at least 17% of the total electricity generated for consumption in California per year by 2006.

This bill would revise and recast that intent language so that the amount of electricity generated per year from renewable energy resources is increased to an amount that equals at least 20% of the total electricity generated for consumption in California by 2010. The bill would make conforming changes consistent with this goal.

(2) The Public Utilities Act imposes various duties and responsibilities on the Public Utilities Commission (CPUC) with respect to the purchase of electricity, and requires the CPUC to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The program requires that a retail seller of electricity, including electrical corporations, community choice aggregators, and electric service providers, but not including

local publicly owned electric utilities, purchase a specified minimum percentage of electricity generated by eligible renewable energy resources, as defined, in any given year as a specified percentage of total kilowatthours sold to retail end-use customers each calendar year (renewables portfolio standard). The renewables portfolio standard requires each electrical corporation to increase its total procurement of eligible renewable energy resources by at least an additional 1% of retail sales per year so that 20% of its retail sales are procured from eligible renewable energy resources no later than December 31, 2017.

Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to certify eligible renewable energy resources, to design and implement an accounting system to verify compliance with the renewables portfolio standard by retail sellers, and to allocate and award supplemental energy payments to cover above-market costs of renewable energy.

This bill would restate the target of the renewables portfolio standard to increase the amount of electricity procured from eligible renewable energy resources, so that it equals 20% of the total electricity sold to retail customers in California per year by December 31, 2010. The bill would require that the CPUC adopt rules or other appropriate procedures that authorize the use of renewable energy credits, as defined, to satisfy annual procurement targets for renewable energy resources pursuant to the renewables portfolio standard. The bill would require that the CPUC authorize an electrical corporation to meet its procurement obligations under a renewable energy procurement plan either by procuring a minimum quantity of electricity generated by eligible renewable energy resources, or an equivalent quantity of renewable energy credits. The bill would authorize the CPUC, in approving a renewable energy procurement plan, to limit the quantity of renewable energy credits that an electrical corporation is permitted to procure unaccompanied by delivery of the electricity that earned the credit.

This bill would require the Energy Commission to design and implement an accounting system to certify renewable energy credits produced by eligible renewable energy resources and to establish a system for tracking and verifying renewable energy credits.

The bill would make other clarifying changes.

(3) Under existing law, a violation of the Public Utilities Act or an order or direction of the CPUC is a crime.

Certain provisions of this bill would be part of the act, and an order or other action of the CPUC would be required to implement certain of the provisions. Because a violation of the bill’s provisions or of an order or decision of the CPUC would be a crime, this bill would impose a state-mandated local program by creating new crimes.

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

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

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

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

1 SECTION 1. Section 25740 of the Public Resources Code is  
2 amended to read:

3 25740. It is the intent of the Legislature in establishing this  
4 program, to increase the amount of renewable electricity  
5 generated per year, so that it equals at least ~~17~~ 20 percent of the  
6 total electricity generated for consumption in California per year  
7 by ~~2006~~ 2010.

8 SEC. 2. Section 399.11 of the Public Utilities Code is  
9 amended to read:

10 399.11. The Legislature finds and declares all of the  
11 following:

12 (a) In order to attain a target of 20 percent renewable energy  
13 for the State of California *by 2010*, and for the purposes of  
14 increasing the diversity, reliability, public health and  
15 environmental benefits of the energy mix, it is the intent of the  
16 Legislature that the California Public Utilities Commission and  
17 the State Energy Resources Conservation and Development  
18 Commission implement the California Renewables Portfolio  
19 Standard Program described in this article.

20 (b) Increasing California’s reliance on renewable energy  
21 resources may promote stable electricity prices, protect public  
22 health, improve environmental quality, stimulate sustainable  
23 economic development, create new employment opportunities,  
24 and reduce reliance on imported fuels.

1 (c) The development of renewable energy resources may  
 2 ameliorate air quality problems throughout the state and improve  
 3 public health by reducing the burning of fossil fuels and the  
 4 associated environmental impacts.

5 (d) The California Renewables Portfolio Standard Program is  
 6 intended to complement the Renewable Energy Program  
 7 administered by the State Energy Resources Conservation and  
 8 Development Commission and established pursuant to Chapter  
 9 8.6 (commencing with Section 25740) of Division 15 of the  
 10 Public Resources Code.

11 SEC. 3. Section 399.12 of the Public Utilities Code is  
 12 amended to read:

13 399.12. For purposes of this article, the following terms have  
 14 the following meanings:

15 (a) “Eligible renewable energy resource” means an electric  
 16 generating facility that ~~is one of the following:~~

17 ~~(1) The facility meets the definition of “in-state renewable~~  
 18 ~~electricity generation facility” in Section 25741 of the Public~~  
 19 ~~Resources Code, subject to the following limitations:~~

20 ~~(2)~~

21 (1) A geothermal generation facility originally commencing  
 22 operation prior to September 26, 1996, shall be eligible for  
 23 purposes of adjusting a retail seller’s baseline quantity of eligible  
 24 renewable energy resources except for output certified as  
 25 incremental geothermal production by the Energy Commission,  
 26 provided that the incremental output was not sold to an electrical  
 27 corporation under contract entered into prior to September 26,  
 28 1996. For each facility seeking certification, the Energy  
 29 Commission shall determine historical production trends and  
 30 establish criteria for measuring incremental geothermal  
 31 production that recognizes the declining output of existing  
 32 steamfields and the contribution of capital investments in the  
 33 facility or wellfield.

34 ~~(3)~~

35 (2) ~~The output of~~ *electricity generated by* a small  
 36 hydroelectric generation facility of 30 megawatts or less  
 37 procured or owned by an electrical corporation as of the date of  
 38 enactment of this article shall be eligible only for purposes of  
 39 establishing the baseline of an electrical corporation pursuant to  
 40 paragraph (3) of subdivision (a) of Section 399.15. A new

1 hydroelectric facility is not an eligible renewable energy resource  
2 if it will require a new or increased appropriation or diversion of  
3 water under Part 2 (commencing with Section 1200) of Division  
4 2 of the Water Code.

5 ~~(4)~~

6 (3) A facility engaged in the combustion of municipal solid  
7 waste shall not be considered an eligible renewable resource  
8 unless it is located in Stanislaus County and was operational  
9 prior to September 26, 1996. ~~Output from such facilities~~  
10 *Electricity generated by a facility meeting these requirements*  
11 shall be eligible only for the purpose of adjusting a retail seller's  
12 baseline quantity of eligible renewable energy resources.

13 (b) "Energy Commission" means the State Energy Resources  
14 Conservation and Development Commission.

15 (c) "Retail seller" means an entity engaged in the retail sale of  
16 electricity to end-use customers, including any of the following:

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

18 (2) A community choice aggregator. The commission shall  
19 institute a rulemaking to determine the manner in which a  
20 community choice aggregator will participate in the renewables  
21 portfolio standard subject to the same terms and conditions  
22 applicable to an electrical corporation.

23 (3) An electric service provider, as defined in Section 218.3  
24 subject to the following conditions:

25 (A) An electric service provider shall be considered a retail  
26 seller under this article for sales to any customer acquiring  
27 service after January 1, 2003.

28 (B) An electric service provider shall be considered a retail  
29 seller under this article for sales to all its customers beginning on  
30 the earlier of January 1, 2006, or the date on which a contract  
31 between an electric service provider and a retail customer  
32 expires. Nothing in this subdivision may require an electric  
33 service provider to disclose the terms of the contract to the  
34 commission.

35 (C) The commission shall institute a rulemaking to determine  
36 the manner in which electric service providers will participate in  
37 the renewables portfolio standard. The electric service provider  
38 shall be subject to the same terms and conditions applicable to an  
39 electrical corporation pursuant to this article. Nothing in this  
40 paragraph shall impair a contract entered into between an electric

1 service provider and a retail customer prior to the suspension of  
2 direct access by the commission pursuant to Section 80110 of the  
3 Water Code.

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

5 (A) A corporation or person employing cogeneration  
6 technology or producing ~~power~~ *electricity* consistent with  
7 subdivision (b) of Section 218.

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

11 (C) A local publicly owned electrical utility as defined in  
12 subdivision (d) of Section 9604.

13 (d) *“Renewable energy credit” means a certificate of proof,*  
14 *issued by the Energy Commission, that one unit of electricity was*  
15 *generated by an eligible renewable energy resource and*  
16 *delivered to a retail seller or the Independent System Operator.*  
17 *The renewable energy credit shall represent all renewable and*  
18 *environmental attributes associated with electricity production*  
19 *by an eligible renewable energy resource, unless the Energy*  
20 *Commission determines that certain environmental benefits*  
21 *unrelated to electricity production should be excluded. Any*  
22 *electricity generated by a renewable energy resource attributable*  
23 *to the use of nonrenewable fuels, beyond a de minimus quantity,*  
24 *as determined by the Energy Commission, shall not result in the*  
25 *creation of any renewable energy credits.*

26 (e) “Renewables portfolio standard” means the specified  
27 percentage of electricity generated by eligible renewable energy  
28 resources that a retail seller is required to procure pursuant to  
29 Sections 399.13 and 399.15.

30 SEC. 4. Section 399.13 of the Public Utilities Code is  
31 amended to read:

32 399.13. The Energy Commission shall do all of the following:

33 (a) Certify eligible renewable energy resources that it  
34 determines meet the criteria described in subdivision (a) of  
35 Section 399.12.

36 (b) Design and implement an accounting system to ~~verify~~ *do*  
37 *all of the following:*

38 (1) *Verify* compliance with the renewables portfolio standard  
39 by retail sellers, ~~to ensure that.~~

1 (2) *Ensure that electricity generated by an eligible renewable*  
2 *energy-output resource is counted only once for the purpose of*  
3 *meeting the renewables portfolio standard of this state or any*  
4 *other state, and for verifying.*

5 (3) *Certify renewable energy credits produced by eligible*  
6 *renewable energy resources.*

7 (4) *Verify retail product claims in this state or any other state.*  
8 *In establishing the guidelines governing this system, the Energy*  
9 *Commission shall collect data from electricity market*  
10 *participants that it deems necessary to verify compliance of retail*  
11 *sellers, in accordance with the requirements of this article and the*  
12 *California Public Records Act (Chapter 3.5 (commencing with*  
13 *Section 6250) of Division 7 of Title 1 of the Government Code).*  
14 *In seeking data from electrical corporations, the Energy*  
15 *Commission shall request data from the commission. The*  
16 *commission shall collect data from electrical corporations and*  
17 *remit the data to the Energy Commission within 90 days of the*  
18 *request.*

19 (c) *Establish a system for tracking and verifying renewable*  
20 *energy credits. The Energy Commission shall consult with other*  
21 *states in the Western Electricity Coordinating Council*  
22 *transmission system to develop consistent mechanisms and*  
23 *protocols for verifying renewable energy credits and to prevent*  
24 *double counting of the electricity generated from any eligible*  
25 *renewable energy resource.*

26 (c) *Allocate and award supplemental energy payments*  
27 *pursuant to Chapter 8.6 (commencing with Section 25740) of*  
28 *Division 15 of the Public Resources Code, to eligible renewable*  
29 *energy resources to cover above-market costs of renewable*  
30 *energy.*

31 SEC. 5. Section 399.14 of the Public Utilities Code is  
32 amended to read:

33 399.14. (a) The commission shall direct each electrical  
34 corporation to prepare *a* renewable energy procurement-~~plans~~  
35 *plan* as described in paragraph (3) to satisfy its obligations under  
36 the renewables portfolio standard. To the extent feasible, this  
37 procurement plan shall be proposed, reviewed, and adopted by  
38 the commission as part of, and pursuant to, a general  
39 procurement plan process. The commission shall require each

1 electrical corporation to review and update its renewable energy  
2 procurement plan as it determines to be necessary.

3 (1) (A) The commission shall not require an electrical  
4 corporation to conduct procurement to fulfill the renewables  
5 portfolio standard until the commission determines either of the  
6 following:

7 (i) The electrical corporation has attained an investment grade  
8 credit rating as determined by at least two major rating agencies.

9 (ii) The electrical corporation is able to procure eligible  
10 renewable energy resources on reasonable terms, those resources  
11 can be financed if necessary, and the procurement will not impair  
12 the restoration of an electrical corporation's creditworthiness.  
13 This provision shall not apply before April 1, 2004, for any  
14 electrical corporation that on June 30, 2003, is in federal court  
15 under Chapter 11 of the federal ~~bankruptcy law~~ *Bankruptcy Code*  
16 (*11 U.S.C. Sec. 1101 et seq.*).

17 (B) Within 90 days of the commission's determination as  
18 provided in subparagraph (A), an electrical corporation shall  
19 conduct solicitations to implement a renewable energy  
20 procurement plan. The determination required by this paragraph  
21 shall apply only to the requirements established pursuant to this  
22 article. The requirements established for an electrical corporation  
23 pursuant to Section 454.5 shall be governed by that section.

24 ~~(2) Not later than six months after the effective date of this~~  
25 ~~section, the~~ The commission shall adopt, by rule, for all electrical  
26 corporations, all of the following:

27 (A) A process for determining market prices pursuant to  
28 subdivision (c) of Section 399.15. The commission shall make  
29 specific determinations of market prices after the closing date of  
30 a competitive solicitation conducted by an electrical corporation  
31 for eligible renewable energy resources. In order to ensure that  
32 the market price established by the commission pursuant to  
33 subdivision (c) of Section 399.15 does not influence the amount  
34 of a bid submitted through the competitive solicitation in a  
35 manner that would increase the amount ratepayers are obligated  
36 to pay for *electricity generated by eligible* renewable energy  
37 *resources*, and in order to ensure that the bid price does not  
38 influence the establishment of the market price, the electrical  
39 corporation shall not transmit or share the results of any  
40 competitive solicitation for eligible renewable energy resources



1 until the commission has established market prices pursuant to  
2 subdivision (c) of Section 399.15.

3 (B) A process that provides criteria for the rank ordering and  
4 selection of least-cost and best-fit *eligible renewable energy*  
5 resources to comply with the annual California Renewables  
6 Portfolio Standard Program obligations on a total cost basis. This  
7 process shall consider estimates of indirect costs associated with  
8 needed transmission investments and ongoing utility expenses  
9 resulting from integrating and operating eligible renewable  
10 energy resources.

11 (C) Flexible rules for compliance including, ~~but not limited to,~~  
12 permitting electrical corporations to apply excess procurement in  
13 one year to subsequent years or inadequate procurement in one  
14 year to no more than the following three years.

15 (D) Standard terms and conditions to be used by all electrical  
16 corporations in contracting for eligible renewable energy  
17 resources, including performance requirements for renewable  
18 generators.

19 (3) Consistent with the goal of procuring the least-cost and  
20 best-fit eligible renewable energy resources, the renewable  
21 energy procurement plan submitted by an electrical corporation  
22 shall include, ~~but is not limited to,~~ all of the following:

23 (A) An assessment of annual or multiyear portfolio supplies  
24 and demand to determine the optimal mix of renewable  
25 generation resources with deliverability characteristics that may  
26 include peaking, dispatchable, baseload, firm, and as-available  
27 capacity.

28 (B) Provisions for employing available compliance flexibility  
29 mechanisms established by the commission.

30 (C) A bid solicitation setting forth the need for renewable  
31 generation of each deliverability characteristic, required online  
32 dates, and locational preferences, if any.

33 (4) In soliciting and procuring eligible renewable energy  
34 resources, each electrical corporation shall offer contracts of no  
35 less than 10 years in duration, unless the commission approves of  
36 a contract of shorter duration.

37 (5) In soliciting and procuring eligible renewable energy  
38 resources, each electrical corporation may give preference to  
39 projects that provide tangible demonstrable benefits to

1 communities with a plurality of minority or low-income  
2 populations.

3 (b) The commission shall review and accept, modify, or reject  
4 each electrical corporation's renewable *energy* procurement plan  
5 90 days prior to the commencement of renewable procurement  
6 pursuant to this article by the electrical corporation.

7 (c) The commission shall review the results of a renewable  
8 energy resources solicitation submitted for approval by an  
9 electrical corporation and accept or reject proposed contracts  
10 with eligible renewable energy resources based on consistency  
11 with the approved renewable *energy* procurement plan. If the  
12 commission determines that the bid prices are elevated due to a  
13 lack of effective competition amongst the bidders, the  
14 commission shall direct the electrical corporation to renegotiate  
15 such contracts or conduct a new solicitation.

16 (d) If an electrical corporation fails to comply with a  
17 commission order adopting a renewable procurement plan, the  
18 commission shall exercise its authority pursuant to Section 2113  
19 to require compliance.

20 (e) Upon application by an electrical corporation, the  
21 commission may authorize another entity to enter into contracts  
22 on behalf of customers of the electrical corporation for deliveries  
23 of eligible renewable energy resources to satisfy the annual  
24 *renewables* portfolio standard obligations, subject to similar  
25 terms and conditions applicable to an electrical corporation. The  
26 commission shall allow the procurement entity to recover  
27 reasonable costs through retail rates subject to review and  
28 approval.

29 (f) Procurement and administrative costs associated with  
30 long-term contracts entered into by an electrical corporation for  
31 eligible renewable energy resources pursuant to this article, at or  
32 below the market price determined by the commission pursuant  
33 to subdivision (c) of Section 399.15, shall be deemed reasonable  
34 per se, and shall be recoverable in rates.

35 (g) For purposes of this article, "procure" means that a utility  
36 may acquire the ~~renewable output of electric generation facilities~~  
37 *electricity generated by an eligible renewable energy resource*  
38 that it owns or for which it has contracted. Nothing in this article  
39 is intended to imply that the purchase of electricity from third

1 parties in a wholesale transaction is the preferred method of  
2 fulfilling a retail seller’s obligation to comply with this article.

3 (h) Construction, alteration, demolition, installation, and repair  
4 work on an eligible renewable energy resource that receives  
5 production incentives or supplemental energy payments pursuant  
6 to Sections 25742 and 25743 of the Public Resources Code,  
7 including, but not limited to, work performed to qualify, receive,  
8 or maintain production incentives or supplemental energy  
9 payments is “public works” for the purposes of Chapter 1  
10 (commencing with Section 1720) of Part 7 of Division 2 of the  
11 Labor Code.

12 SEC. 6. Section 399.15 of the Public Utilities Code is  
13 amended to read:

14 399.15. (a) In order to fulfill unmet long-term resource needs,  
15 the commission shall establish a renewables portfolio standard  
16 requiring all electrical corporations to procure a minimum  
17 quantity of ~~output from~~ *electricity generated by* eligible  
18 renewable energy resources, *or an equivalent quantity of*  
19 *renewable energy credits*, as a specified percentage of total  
20 kilowatthours sold to their retail end-use customers each calendar  
21 year, if sufficient funds are made available pursuant to paragraph  
22 (2), and Section 399.6 and Chapter 8.6 (commencing with  
23 Section 25740) of Division 15 of the Public Resources Code, to  
24 cover the above-market costs of eligible renewables, and subject  
25 to all of the following:

26 (1) An electric corporation shall not be required to enter into  
27 long-term contracts with eligible renewable energy resources that  
28 exceed the market prices established pursuant to subdivision (c)  
29 of this section.

30 (2) The Energy Commission shall provide supplemental  
31 energy payments from funds in the New Renewable Resources  
32 Account in the Renewable Resource Trust Fund to eligible  
33 renewable energy resources pursuant to Chapter 8.6  
34 (commencing with Section 25740) of Division 15 of the Public  
35 Resources Code, consistent with this article, for above-market  
36 costs. Indirect costs associated with the purchase of eligible  
37 renewable energy resources, such as imbalance energy charges,  
38 sale of excess energy, decreased generation from existing  
39 resources, or transmission upgrades shall not be eligible for

1 supplemental energy payments, but shall be recoverable by an  
2 electrical corporation in rates, as authorized by the commission.

3 (3) For purposes of setting annual procurement targets, the  
4 commission shall establish an initial baseline for each electrical  
5 corporation based on the actual percentage of retail sales  
6 procured from eligible renewable energy resources in 2001, and,  
7 to the extent applicable, adjusted going forward pursuant to  
8 subdivision (a) of Section 399.12.

9 (b) The commission shall implement annual procurement  
10 targets for each electrical corporation as follows:

11 (1) Beginning on January 1, 2003, each electrical corporation  
12 shall, pursuant to subdivision (a), increase its total procurement  
13 of eligible renewable energy resources by at least an additional 1  
14 percent of retail sales per year so that 20 percent of its retail sales  
15 are procured from eligible renewable energy resources no later  
16 than December 31, ~~2017~~ 2010. An electrical corporation with 20  
17 percent of retail sales procured from eligible renewable energy  
18 resources in any year shall not be required to increase its  
19 procurement of such resources in the following year.

20 (2) Only for purposes of establishing these targets, the  
21 commission shall include all ~~power~~ *electricity* sold to retail  
22 customers by the Department of Water Resources pursuant to  
23 Section 80100 of the Water Code in the calculation of retail sales  
24 by an electrical corporation.

25 (3) In the event that an electrical corporation fails to procure  
26 sufficient eligible renewable energy resources in a given year to  
27 meet any annual target established pursuant to this subdivision,  
28 the electrical corporation shall procure additional eligible  
29 renewable energy resources in subsequent years to compensate  
30 for the shortfall if sufficient funds are made available pursuant to  
31 paragraph (2), and Section 399.6 and Chapter 8.6 (commencing  
32 with Section 25740) of Division 15 of the Public Resources  
33 Code, to cover the above-market costs of eligible ~~renewables~~  
34 *renewable energy resources*.

35 (4) If supplemental energy payments from the Energy  
36 Commission, in combination with the market prices approved by  
37 the commission, are insufficient to cover the above-market costs  
38 of eligible renewable energy resources, the commission shall  
39 allow an electrical corporation to limit its annual procurement  
40 obligation to the quantity of eligible renewable energy resources

1 that can be procured with available supplemental energy  
2 payments.

3 (c) The commission shall establish a methodology to  
4 determine the market price of electricity for terms corresponding  
5 to the length of contracts with renewable generators, in  
6 consideration of the following:

7 (1) The long-term market price of electricity for fixed price  
8 contracts, determined pursuant to the electrical corporation's  
9 general procurement activities as authorized by the commission.

10 (2) The long-term ownership, operating, and fixed-price fuel  
11 costs associated with fixed-price electricity from new generating  
12 facilities.

13 (3) The value of different products including baseload,  
14 peaking, and as-available-output *electricity*.

15 (d) The establishment of a renewables portfolio standard shall  
16 not constitute implementation by the commission of the federal  
17 Public Utility Regulatory Policies Act of 1978 (Public Law  
18 95-617).

19 (e) The commission shall consult with the Energy Commission  
20 in calculating market prices under subdivision (c) and  
21 establishing other renewables portfolio standard policies.

22 SEC. 7. Section 399.17 is added to the Public Utilities Code,  
23 to read:

24 399.17. (a) The commission shall, not later than July 1, 2006,  
25 adopt rules or other appropriate procedures, that authorize the use  
26 of renewable energy credits to satisfy annual procurement targets  
27 for renewable energy resources. The rules shall do all of the  
28 following:

29 (1) Prohibit a renewable energy credit from being counted  
30 more than once by any retail seller for compliance with the  
31 renewables portfolio standard of this state or any other state, or  
32 for verifying retail product claims in this state or any other state.

33 (2) Prohibit any renewable energy credit from applying toward  
34 a retail seller's renewables portfolio standard program obligations  
35 unless the renewable energy credit results from electricity  
36 generated by an eligible renewable energy resource.

37 (3) Ensure that any revenues received by an electrical  
38 corporation for the sale of renewable energy credits are credited  
39 to ratepayers.

- 1 (4) Require every electrical corporation to demonstrate that all  
2 purchased renewable energy credits are certified by the Energy  
3 Commission and comply with the requirements of this article,  
4 before purchase expenses may be recovered in rates.
- 5 (5) Ensure that no retail seller shall be obligated to procure  
6 renewable energy credits to satisfy annual procurement targets in  
7 the event that supplemental energy payments, in combination  
8 with the market prices approved by the commission, are  
9 insufficient to cover the above-market costs of long-term  
10 contracts with eligible renewable energy resources.
- 11 (6) Prohibit sales of renewable energy credits by an electrical  
12 corporation during any year in which the electrical corporation  
13 utilizes flexible compliance rules to permit inadequate  
14 procurement pursuant to subparagraph (C) of paragraph (2) of  
15 subdivision (a) of Section 399.14.
- 16 (b) In approving a renewable energy procurement plan  
17 pursuant to this chapter, the commission may limit the quantity  
18 of renewable energy credits that an electrical corporation is  
19 permitted to procure unaccompanied by delivery of the electricity  
20 that earned the credit.
- 21 SEC. 8. No reimbursement is required by this act pursuant to  
22 Section 6 of Article XIII B of the California Constitution because  
23 the only costs that may be incurred by a local agency or school  
24 district will be incurred because this act creates a new crime or  
25 infraction, eliminates a crime or infraction, or changes the  
26 penalty for a crime or infraction, within the meaning of Section  
27 17556 of the Government Code, or changes the definition of a  
28 crime within the meaning of Section 6 of Article XIII B of the  
29 California Constitution.