

Assembly Bill No. 1373

Passed the Assembly September 14, 2023

Chief Clerk of the Assembly

Passed the Senate September 14, 2023

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2023, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 10295.6 of the Public Contract Code, to amend Sections 25795 and 25992.10 of, and to add Section 25302.6 to, the Public Resources Code, to amend Sections 365.1, 380, 454.51, 454.52, and 9620 of, and to add Sections 913.21 and 1001.1 to, the Public Utilities Code, and to amend Section 80720 of, to add Sections 80713 and 80714 to, and to add Division 29.5 (commencing with Section 80800) to, the Water Code, relating to energy, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1373, Garcia. Energy.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission), in consultation with specified entities, to adopt a biennial integrated energy policy report containing certain information, including an overview of major energy trends and issues facing the state.

This bill would require, as part of the 2025 edition of the integrated energy policy report, the Energy Commission, in consultation with the Public Utilities Commission (PUC), to assess barriers to electricity interconnection and energization and provide recommendations on how to accelerate those processes, as appropriate.

Existing law establishes the Voluntary Offshore Wind and Coastal Resources Protection Program that is administered by the Energy Commission for the purpose of supporting state activities that complement and are in furtherance of federal laws related to the development of offshore wind facilities and requires the program to award moneys to public and private entities through various mechanisms. Existing law authorizes the Energy Commission to allocate moneys under the program for various purposes.

The bill would additionally authorize the Energy Commission to allocate moneys under the program for workforce development

grants in consultation with the California Workforce Development Board.

(2) Existing law requires the PUC to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner. Existing law requires the PUC to adopt a process for each electrical corporation, electric service provider, or community choice aggregator to file an integrated resource plan and a schedule for periodic updates to the plan, and to ensure that those entities meet other specified requirements.

This bill would require that the portfolio of resources ensure a reliable electricity supply that also provides optimal integration of resource diversity in a cost-effective manner, as specified. The bill would require the PUC, on or before September 1, 2024, and consistent with a certain process and schedule, to determine if there is a need for the procurement of eligible energy resources, as described, would require the PUC to specify the eligible energy resources that should be procured to meet that need, and would authorize the PUC, within 6 months of making that determination, to request the Department of Water Resources to procure those specified resources that meet the portfolio of resources, as specified. The bill would authorize the department to procure those resources pursuant to that request only before January 1, 2035, as provided. The bill would authorize the PUC to order the procurement of resources with specific attributes by electrical corporations, electric service providers, and community choice aggregators as a result of the integrated resource planning process and require the PUC to enforce any resource procurement requirements on a nondiscriminatory basis.

(3) Existing law prohibits an electrical corporation from beginning the construction of, among other things, a line, plant, or system, or of any extension thereof, without having first obtained from the PUC a certificate that the present or future public convenience and necessity require or will require that construction. Under existing law, the extension, expansion, upgrade, or other modification of an existing electrical transmission facility, including transmission lines and substations, does not require a certificate that the present or future public convenience and necessity requires or will require its construction.

This bill would require the PUC, in a proceeding evaluating the issuance of a certificate of public convenience and necessity for a proposed transmission project, to establish a rebuttable presumption with regard to need for the proposed transmission project in favor of an Independent System Operator governing board-approved need evaluation if specified requirements are satisfied.

(4) Existing law requires each local publicly owned electric utility serving end-use customers to prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers.

This bill would authorize a local publicly owned electric utility to meet its minimum planning reserve margin through individual contractual procurement or through an aggregated or pooled portfolio of resources, as specified.

(5) Existing law establishes the Department of Water Resources Electricity Supply Reliability Reserve Fund and continuously appropriates moneys in the fund to the department for purposes of (A) implementing projects, purchases, and contracts to carry out specified purposes, (B) constructing, owning, and operating, or contracting for the construction and operation of, contracting for the purchase of electricity from, or financing through loans, reimbursement agreements, or other contracts actions to secure resources for summer reliability or to preserve the option to extend the life of specified facilities, and (C) reimbursing electrical corporations for the value of imported energy or import capacity products that were delivered or capable of being delivered between July 1, 2022, and on or before October 31, 2023, and were procured at above-market costs or in excess of procurement authorizations set by the PUC and above the requirements needed to serve the electrical corporation's bundled customers in support of summer electric service reliability.

This bill would require the PUC, on and before June 30, 2027, if the department determines that resources it procured through the Electricity Supply Strategic Reliability Reserve Program were used in a given month to meet a load-serving entity's identified reliability need, to annually assess a capacity payment on each load-serving entity that during that same month fails to meet its system resource adequacy requirements, as specified. The bill would require the Energy Commission, on or before January 31,

2024, in consultation with the PUC, to submit a report to the appropriate policy and budget committees of the Legislature that includes an assessment of whether each local publicly owned electric utility exceeded, met, or failed to meet its minimum planning reserve margin and specified system resource adequacy requirements. Upon the submission of that report, the bill would require the executive director of the Energy Commission, on and before June 30, 2027, if the department determines that resources it procured through the Electricity Supply Strategic Reliability Reserve Program were used in a given month to meet an identified reliability need, to annually assess a capacity payment on each local publicly owned electric utility in the Independent System Operator balancing area that during that same month fails to meet its minimum planning reserve margin, as specified. The bill would authorize the Energy Commission to adopt regulations for this purpose, as specified. The bill would establish the Load-Serving Entity Capacity Payment Account and the Local Publicly Owned Electric Utility Capacity Payment Account in the Department of Water Resources Electricity Supply Reliability Reserve Fund, and would specify that moneys in those accounts would, upon appropriation by the Legislature, be used for certain purposes. The bill would require capacity payments collected by the department from load-serving entities and local publicly owned electric utilities to be deposited into those 2 accounts, as provided.

This bill would require the PUC, if the PUC requests the department to procure eligible energy resources and the department elects to conduct competitive solicitations or enter into contracts for eligible energy resources, to develop and adopt procedures and requirements that govern competitive procurement by, obligations on, and recovery of costs incurred by the department. The bill would require the department, in evaluating bids received through a solicitation to consider certain factors. The bill would require bids for the development of an eligible energy resource project to include the bidder's certification that certain labor requirements are met and that a skilled and trained workforce will be used to perform all construction work on the eligible energy resource project, as provided. The bill would, at the request of the department, authorize the PUC to require an electrical corporation to act as the agent for the department or to assist the department in conducting the solicitation, bid evaluation, or contract

negotiation for new eligible energy resource procurement. The bill would authorize the department to establish a schedule and mechanism for a local publicly owned electric utility to voluntarily obtain from the department eligible energy resources to be acquired by the department through its central procurement function on a contract-by-contract basis. The bill would provide electrical corporations, electric service providers, and community choice aggregators with a voluntary option to obtain incremental eligible energy resources from the department, as provided. At the request of the department, the bill would authorize the PUC to order an electrical corporation to transmit or provide for the transmission of, and distribute all electricity made available by the department, and, as an agent of the department, to provide billing, collection, and other related services on terms and conditions that reasonably compensate the electrical corporation for its services and adequately secure payment to the department. The bill would establish the Eligible Energy Resource Central Procurement Fund and continuously appropriate moneys in the fund to the department for specified purposes. By establishing a continuously appropriated fund, the bill would make an appropriation. The bill would require that all moneys collected by electrical corporations, electric service providers, community choice aggregators, and local publicly owned electric utilities and remitted to the department for eligible energy resources, and all moneys paid directly or indirectly to or for the account of the department for any sale, exchange, transfer, or disposition of those resources, be deposited into the fund. The bill would authorize the department, upon determining that it is necessary or desirable to issue bonds to support activities for the procurement of eligible energy resources, to issue bonds for purposes of, among other things, financing the procurement of those resources supporting the fund and other related expenses incurred by the department, as specified. The bill would authorize the department to adopt regulations for purposes of administering these provisions.

(6) This bill would provide that, upon appropriation by the Legislature, the sum of no less than \$6,000,000 from the General Fund is available in the 2024–25 fiscal year to support comprehensive, regional baseline environmental monitoring and research into the impacts of prospective offshore wind energy development in and around regions in which offshore wind energy

areas have been leased by the Bureau of Ocean Energy Management of the United States Department of the Interior, pending future legislation. The bill would provide that, upon appropriation by the Legislature, additional moneys from the General Fund will be made available for the 2024–25 fiscal year and subsequent fiscal years to support the California Coastal Commission’s coastal development permitting of prospective offshore wind energy development in and around regions in which offshore wind energy areas have been leased by the bureau, pending future legislation. The bill would state the intent of the Legislature to appropriate additional resources for environmental permitting and related needs across applicable state entities upon the submission and review of a specified assessment.

(7) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain of the above provisions would be part of the act and a violation of a PUC action implementing this bill’s requirements would be a crime, the bill would impose a state-mandated local program.

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.

(8) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

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

SECTION 1. Section 10295.6 of the Public Contract Code is amended to read:

10295.6. Sections 10295 and 10297 do not apply to any contract entered into by the Department of Water Resources under Part 3 (commencing with Section 11100) of Division 6, Chapter 8 (commencing with Section 12930) of Part 6 of Division 6, Division 29 (commencing with Section 80700), or Division 29.5 (commencing with Section 80800), of the Water Code for the

acquisition, sale, or transmission of power, or for services to facilitate those activities.

SEC. 2. Section 25302.6 is added to the Public Resources Code, to read:

25302.6. As part of the 2025 edition of the integrated energy policy report, the commission, in consultation with the Public Utilities Commission, shall assess barriers to electricity interconnection and energization and provide recommendations on how to accelerate those processes, as appropriate.

SEC. 3. Section 25795 of the Public Resources Code is amended to read:

25795. (a) Beginning on January 31, 2023, and on May 1, August 1, and December 1 annually thereafter, the commission shall issue a written report to the Joint Legislative Budget Committee detailing the actions undertaken by the commission in the period since the previous report pursuant to this chapter through that date, including, but not limited to, all of the following:

- (1) Amount of funds expended.
- (2) Purpose of funds expended.
- (3) Status of actions funded.

(4) For new and expanded resources, the amount by megawatt, resource type, operational date, and expected lifetime of that capacity.

(5) The frequency at which resources funded by the Department of Water Resources or the commission have been used and the extent to which they complied with the requirements of this chapter.

(6) In consultation with the state board, an estimate or the best available information on the emissions of greenhouse gases, criteria air pollutants, and toxic air contaminants emitted by the resources funded by the Department of Water Resources or the commission over the period since the previous report.

(7) Summary of contracts, grants, and loans issued pursuant to this chapter.

(b) Each report submitted pursuant to this section shall be submitted to the Joint Legislative Budget Committee at the same time and in the same manner as reports submitted pursuant to Section 80730 of the Water Code.

SEC. 4. Section 25992.10 of the Public Resources Code is amended to read:

25992.10. (a) (1) The Voluntary Offshore Wind and Coastal Resources Protection Program is hereby established to be administered by the commission for the purpose of supporting state activities that complement and are in furtherance of federal laws related to the development of offshore wind facilities, including federal laws providing for offshore wind lease conditions of the bureau. The program shall award moneys to public and private entities, including, but not limited to, state agencies, tribal entities, local governmental agencies, research institutions, and nonprofit entities, through various mechanisms, including, but not limited to, grants.

(2) Moneys from the fund and account shall be available for allocation by the commission for purposes of this chapter.

(b) The commission may allocate moneys for any of the following:

(1) Increasing the ability of state agencies to engage in postlease assessments and studies of impacts, including surveys and plans, and ongoing review of project compliance and monitoring, including administrative costs.

(2) Research facilitation and coordination, including, but not limited to, funding to support state agencies to work collaboratively with the bureau and other federal, state, and tribal entities to ensure that lessees' construction and operations plans incorporate strategies and specific plans for comprehensive monitoring and adaptive management, and to ensure that the strategies and plans are implemented appropriately, including funding to contract with technical experts to be retained by state agencies to consult and collaborate on strategies and specific plans for comprehensive monitoring and adaptive management.

(3) (A) Contracts with technical experts to assist the bureau and the state in their review of survey and sampling and analysis plans, survey data and analysis, construction and operation plans, and other planning, project development, and project implementation activities and documents.

(B) The purpose of the technical experts is to review current research on survey methodologies, monitoring approaches and technologies, adaptive management strategies, and other relevant topics for floating offshore wind, to provide the bureau and the state with recommendations, suggested guidelines, and best practices, and to fulfill additional research needs, during all phases

of floating offshore wind development and implementation with the overall goal of avoiding and minimizing impacts to coastal resources.

(4) Environmental impacts monitoring, including, but not limited to, any of the following:

(A) Collecting, analyzing, and reporting baseline and postdevelopment environmental data to assess large-scale changes and cumulative impacts to marine species, habitats, and uses from floating offshore wind development and related activities with a goal of enabling the bureau and the state to accurately assess, mitigate, and adaptively manage those impacts.

(B) Data collection at a regional scale that integrates data with information and data provided by lessees or the bureau and other relevant data to provide a comprehensive understanding of how floating offshore wind development is affecting the marine environment and coastal uses.

(5) Infrastructure readiness commitments, including, but not limited to, activities associated with the bureau's lease requirements for lessees to support infrastructure readiness, such as ports, waterfront facilities, and transmission for floating offshore wind generation facilities.

(6) Workforce development grants consistent with subdivisions (r) to (t), inclusive, of Section 14005 of the Unemployment Insurance Code and in consultation with the California Workforce Development Board.

(c) Moneys in the fund and the account shall not be allocated by the commission to another state or local agency for that agency's costs that are otherwise recoverable from project proponents in administering a regulatory or entitlement program.

SEC. 5. Section 365.1 of the Public Utilities Code is amended to read:

365.1. (a) Except as expressly authorized by this section, and subject to the limitations in subdivisions (b) and (c), the right of retail end-use customers pursuant to this chapter to acquire service from other providers is suspended until the Legislature, by statute, lifts the suspension or otherwise authorizes direct transactions. For purposes of this section, "other provider" means any person, corporation, or other entity that is authorized to provide electric service within the service territory of an electrical corporation pursuant to this chapter, and includes an aggregator, broker, or

marketer, as defined in Section 331, and an electric service provider, as defined in Section 218.3. “Other provider” does not include a community choice aggregator, as defined in Section 331.1, and the limitations in this section do not apply to the sale of electricity by “other providers” to a community choice aggregator for resale to community choice aggregation electricity consumers pursuant to Section 366.2.

(b) The commission shall authorize individual retail nonresidential end-use customers to acquire electric service from other providers in each electrical corporation’s distribution service territory, up to a maximum allowable total kilowatthours annual limit. The maximum allowable annual limit shall be established by the commission for each electrical corporation at the maximum total kilowatthours supplied by all other providers to distribution customers of that electrical corporation during any sequential 12-month period between April 1, 1998, and October 11, 2009. Within six months of October 11, 2009, the commission shall adopt and implement a reopening schedule that commences immediately and will phase in the allowable amount of increased kilowatthours over a period of not less than three years, and not more than five years, raising the allowable limit of kilowatthours supplied by other providers in each electrical corporation’s distribution service territory from the number of kilowatthours provided by other providers as of October 11, 2009, to the maximum allowable annual limit for that electrical corporation’s distribution service territory. The commission shall review and, if appropriate, modify its currently effective rules governing direct transactions, but that review shall not delay the start of the phase-in schedule.

(c) Once the commission has authorized additional direct transactions pursuant to subdivision (b), it shall do both of the following:

(1) Ensure that other providers are subject to the same requirements that apply to the state’s three largest electrical corporations under any programs or rules adopted by the commission to implement the resource adequacy provisions of Section 380, the renewables portfolio standard provisions of Article 16 (commencing with Section 399.11), the requirements for the electricity sector adopted by the State Air Resources Board pursuant to the California Global Warming Solutions Act of 2006

(Division 25.5 (commencing with Section 38500) of the Health and Safety Code), and the requirements of the integrated resource planning process as specified in Sections 454.52 to 454.54, inclusive. This requirement applies notwithstanding any prior decision of the commission to the contrary.

(2) (A) Ensure that, in the event that the commission authorizes, in the situation of a contract with a third party, or orders, in the situation of utility-owned generation, an electrical corporation to obtain generation resources that the commission determines are needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory, the net capacity costs of those generation resources are allocated on a fully nonbypassable basis consistent with departing load provisions as determined by the commission, to all of the following:

- (i) Bundled service customers of the electrical corporation.
- (ii) Customers that purchase electricity through a direct transaction with other providers.
- (iii) Customers of community choice aggregators.

(B) If the commission authorizes or orders an electrical corporation to obtain generation resources pursuant to subparagraph (A), the commission shall ensure that those resources meet a system or local reliability need in a manner that benefits all customers of the electrical corporation. The commission shall allocate the costs of those generation resources to ratepayers in a manner that is fair and equitable to all customers, whether they receive electric service from the electrical corporation, a community choice aggregator, or an electric service provider.

(C) The resource adequacy benefits of generation resources acquired by an electrical corporation pursuant to subparagraph (A) shall be allocated to all customers who pay their net capacity costs. Net capacity costs shall be determined by subtracting the energy and ancillary services value of the resource from the total costs paid by the electrical corporation pursuant to a contract with a third party or the annual revenue requirement for the resource if the electrical corporation directly owns the resource. An energy auction shall not be required as a condition for applying this allocation, but may be allowed as a means to establish the energy and ancillary services value of the resource for purposes of determining the net costs of capacity to be recovered from

customers pursuant to this paragraph, and the allocation of the net capacity costs of contracts with third parties shall be allowed for the terms of those contracts.

(D) It is the intent of the Legislature, in enacting this paragraph, to provide additional guidance to the commission with respect to the implementation of subdivision (g) of Section 380, and to ensure that the customers to whom the net costs and benefits of capacity are allocated are not required to pay for the cost of electricity they do not consume.

(d) (1) If the commission approves a centralized resource adequacy mechanism pursuant to subdivisions (h) and (i) of Section 380, upon the implementation of the centralized resource adequacy mechanism the requirements of paragraph (2) of subdivision (c) shall be suspended. If the commission later orders that electrical corporations cease procuring capacity through a centralized resource adequacy mechanism, the requirements of paragraph (2) of subdivision (c) shall again apply.

(2) If the use of a centralized resource adequacy mechanism is authorized by the commission and has been implemented as set forth in paragraph (1), the net capacity costs of generation resources that the commission determines are required to meet urgent system or urgent local grid reliability needs, and that the commission authorizes to be procured outside of the Section 380 or Section 454.5 processes, shall be recovered according to paragraph (2) of subdivision (c).

(3) This subdivision does not supplant the resource adequacy requirements of Section 380 or the resource procurement procedures established in Section 454.5.

(e) On or before June 1, 2019, the commission shall issue an order regarding direct transactions that provides as follows:

(1) Increase the maximum allowable total kilowatthours annual limit by 4,000 gigawatthours and apportion that increase among the service territories of the electrical corporations.

(2) All residential and nonresidential customer accounts that are on direct access as of January 1, 2019, remain authorized to participate in direct transactions.

SEC. 6. Section 380 of the Public Utilities Code is amended to read:

380. (a) The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities.

(b) In establishing resource adequacy requirements, the commission shall ensure the reliability of electrical service in California while advancing, to the extent possible, the state's goals for clean energy, reducing air pollution, and reducing emissions of greenhouse gases. The resource adequacy program shall achieve all of the following objectives:

(1) Facilitate development of new generating, nongenerating, and hybrid capacity and retention of existing generating, nongenerating, and hybrid capacity that is economical and needed for reliability and to achieve the state policy specified in Section 454.53.

(2) Establish new, or maintain existing, demand response products and tariffs that facilitate the economical dispatch and use of demand response that can either meet or reduce an electrical corporation's resource adequacy requirements, as determined by the commission.

(3) Equitably allocate the cost of generating capacity and demand response in a manner that prevents the shifting of costs between customer classes.

(4) Minimize enforcement requirements and costs.

(5) Maximize the ability of community choice aggregators to determine the generation resources used to serve their customers.

(c) Each load-serving entity shall maintain physical generating capacity and electrical demand response adequate to meet its load requirements, including, but not limited to, peak demand and planning and operating reserves. The generating capacity or electrical demand response shall be deliverable to locations and at times as may be necessary to maintain electrical service system reliability, local area reliability, and flexibility.

(d) Each load-serving entity shall, at a minimum, meet the most recent minimum planning reserve and reliability criteria approved by the board of directors of the Western Systems Coordinating Council or the Western Electricity Coordinating Council.

(e) The commission shall implement and enforce the resource adequacy requirements established in accordance with this section in a nondiscriminatory manner. Each load-serving entity shall be subject to the same requirements for resource adequacy, the

renewables portfolio standard program, and the integrated resource planning process pursuant to Section 454.52 that apply to electrical corporations pursuant to this section, or are otherwise required by law or by order or decision of the commission. The commission shall exercise its enforcement powers to ensure compliance by all load-serving entities.

(f) (1) The commission shall require sufficient information, including, but not limited to, anticipated load, actual load, and measures undertaken by a load-serving entity to ensure resource adequacy, to be reported to enable the commission to determine compliance with the resource adequacy requirements established by the commission.

(2) The commission shall calculate and publish annually on its internet website, in a new report or as part of another report, the percentage of each load-serving entity's local and system resource adequacy requirements from the previous calendar year that was met with capacity from eligible renewable energy resources pursuant to the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11)), other zero-carbon resources, including large hydroelectric and nuclear resources, or energy storage resources. In determining the percentage of each load-serving entity's resource adequacy requirements, the commission shall include all directly owned or contracted resources and each load-serving entity's allocation of any centrally procured resources or allocation of resources pursuant to any other mechanism that involves an assignment or allocation of resources purchased or owned by a single buyer, and shall exclude any share of a load-serving entity's resources that were allocated to another load-serving entity.

(g) An electrical corporation's costs of meeting or reducing resource adequacy requirements, including, but not limited to, the costs associated with system reliability, local area reliability, or flexible resource adequacy, that are determined to be reasonable by the commission, or are otherwise recoverable under a procurement plan approved by the commission pursuant to Section 454.5, shall be fully recoverable from those customers on whose behalf the costs are incurred, as determined by the commission, at the time the commitment to incur the cost is made, on a fully nonbypassable basis, as determined by the commission. The commission shall exclude any amounts authorized to be recovered

pursuant to Section 366.2 when authorizing the amount of costs to be recovered from customers of a community choice aggregator or from customers that purchase electricity through a direct transaction pursuant to this subdivision.

(h) The commission shall determine and authorize the most efficient and equitable means for achieving all of the following:

- (1) Meeting the objectives of this section.
- (2) Ensuring that investment is made in new generating capacity.
- (3) Ensuring that existing generating capacity that is economical is retained.
- (4) Ensuring that the cost of generating capacity and demand response is allocated equitably.
- (5) Ensuring that community choice aggregators can determine the generation resources used to serve their customers.
- (6) Ensuring that investments are made in new and existing demand response resources that are cost effective and help to achieve electrical grid reliability and the state's goals for reducing emissions of greenhouse gases.
- (7) Minimizing the need for backstop procurement by the Independent System Operator.

(i) In making the determination pursuant to subdivision (h), the commission may consider a centralized resource adequacy mechanism among other options.

(j) The commission shall ensure appropriate valuation of both supply and load modifying demand response resources. The commission, in an existing or new proceeding, shall establish a mechanism to value load modifying demand response resources, including, but not limited to, the ability of demand response resources to help meet distribution needs and transmission system needs and to help reduce a load-serving entity's resource adequacy obligation pursuant to this section. In determining this value, the commission shall consider how these resources further the state's electrical grid reliability and the state's goals for reducing emissions of greenhouse gases. The commission, Energy Commission, and Independent System Operator shall jointly ensure that changes in demand caused by load modifying demand response are expeditiously and comprehensively reflected in the Energy Commission's Integrated Energy Policy Report forecast and in planning proceedings and associated analyses, and shall encourage reflection of these changes in demand in the operation of the grid.

(k) For purposes of this section, “load-serving entity” means an electrical corporation, electric service provider, or community choice aggregator. “Load-serving entity” does not include any of the following:

- (1) A local publicly owned electric utility.
- (2) The State Water Resources Development System commonly known as the State Water Project.
- (3) Customer generation located on the customer’s site or providing electric service through arrangements authorized by Section 218, if the customer generation, or the load it serves, meets one of the following criteria:

(A) It takes standby service from the electrical corporation on a commission-approved rate schedule that provides for adequate backup planning and operating reserves for the standby customer class.

(B) It is not physically interconnected to the electrical transmission or distribution grid, so that, if the customer generation fails, backup electricity is not supplied from the electrical grid.

(C) There is physical assurance that the load served by the customer generation will be curtailed concurrently and commensurately with an outage of the customer generation.

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

454.51. The commission shall do all of the following:

(a) Identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy and resource diversity in a cost-effective manner. The portfolio shall be used by the commission to establish integrated resource planning-based procurement requirements that rely on zero-carbon-emitting resources to the maximum extent reasonable and be designed to achieve the state policy specified in Section 454.53 and any statewide greenhouse gas emissions limit established pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code) or any successor legislation.

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

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

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

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

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

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

(e) Ensure that all costs resulting from nonperformance to satisfy the need identified in subdivision (a) or (d), as applicable, shall be borne by the load-serving entity, as defined in Section 380, that failed to perform.

SEC. 8. Section 454.52 of the Public Utilities Code is amended to read:

454.52. (a) (1) Beginning in 2017, and to be updated regularly thereafter, the commission shall adopt a process for each load-serving entity to file an integrated resource plan, and a schedule for periodic updates to the plan, and shall ensure that load-serving entities do all of the following:

(A) Meet the greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the commission and the Energy Commission, for the electricity sector and each load-serving entity that reflect the electricity sector's percentage in achieving the economywide greenhouse gas emissions reductions pursuant to Section 38566 of the Health and Safety Code.

(B) Procure at least 60 percent eligible renewable energy resources by December 31, 2030, consistent with the state policy specified in Section 454.53 and Article 16 (commencing with Section 399.11) of Chapter 2.3.

(C) Enable each electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.

(D) Minimize impacts on ratepayers' bills.

(E) Ensure system and local reliability on a near-term, mid-term, and long-term basis, including meeting the near-term and forecast long-term resource adequacy requirements of Section 380, and require sufficient, predictable resource procurement and development to avoid unplanned energy supply shortfalls by taking into account impacts due to climate change, forecasted levels of building and transportation electrification, and other factors that can result in those shortfalls.

(F) Comply with paragraph (1) of subdivision (b) of Section 399.13.

(G) Strengthen the diversity, sustainability, and resilience of the bulk transmission and distribution systems, and local communities.

(H) Enhance distribution systems and demand-side energy management.

(I) Minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.

(J) Maintain a diverse portfolio of energy resources, which may include eligible energy resources procured by the Department of Water Resources.

(2) (A) The commission may authorize all source procurement for load-serving entities that includes various resource types including demand-side resources, supply-side resources, and resources that may be either demand-side resources or supply-side resources, taking into account the differing load-serving entities' geographic service areas, to ensure that each load-serving entity meets the goals set forth in paragraph (1).

(B) The commission may approve procurement of resource types that will reduce the overall emissions of greenhouse gases from the electricity sector and meet the other goals specified in paragraph (1), but due to the nature of the technology or fuel source

may not compete favorably in price against other resources over the time period of the integrated resource plan.

(3) In furtherance of the requirements of paragraph (1), the commission shall consider the role of existing renewable generation, grid operational efficiencies, energy storage, and distributed energy resources, including energy efficiency, in helping to ensure each load-serving entity meets energy needs and reliability needs in hours to encompass the hour of peak demand of electricity, excluding demand met by variable renewable generation directly connected to a California balancing authority, as defined in Section 399.12, while reducing the need for new electricity generation resources and new transmission resources in achieving the state's energy goals at the least cost to ratepayers.

(4) (A) On or before September 1, 2024, and consistent with the process and schedule adopted pursuant to paragraph (1), the commission, in consultation with the Energy Commission and the Independent System Operator, shall determine if there is a need for the procurement of eligible energy resources based on a review of the integrated resource plans submitted by load-serving entities in compliance with the requirements of this section and Section 454.53 and the progress towards meeting the portfolio of resources identified pursuant to subdivision (a) of Section 454.51.

(B) If the commission determines that there is a need for the procurement of eligible energy resources, the commission shall specify the eligible energy resources that should be procured to meet that need.

(C) Within six months of determining that there is a need for the procurement of eligible energy resources, the commission may request the Department of Water Resources to exercise its central procurement function to procure those eligible energy resources specified pursuant to subparagraph (B) that meet the portfolio of resources identified in subdivision (a) of Section 454.51.

(D) (i) Upon receiving a request pursuant to subparagraph (C), the Department of Water Resources, before January 1, 2035, may exercise its central procurement function to conduct one or more competitive solicitations and enter into contracts to procure eligible energy resources in order to achieve the policy of the state specified in Section 454.53.

(ii) Any contract entered into by the Department of Water Resources pursuant to clause (i) and approved by the commission

pursuant to Section 80821 of the Water Code before January 1, 2035, shall remain in force for the duration of the contract.

(E) The Department of Water Resources' exercising of its central procurement function to procure eligible energy resources pursuant to this paragraph shall be conducted in accordance with Division 29.5 (commencing with Section 80800) of the Water Code.

(b) (1) Each load-serving entity shall prepare and file an integrated resource plan consistent with paragraph (2) of subdivision (a) on a time schedule directed by the commission and subject to commission review.

(2) Each electrical corporation's plan shall follow Section 454.5.

(3) The plan of a community choice aggregator shall be submitted to its governing board for approval and provided to the commission for certification, consistent with paragraph (5) of subdivision (a) of Section 366.2, and shall achieve all of the following:

(A) Economic, reliability, environmental, security, and other benefits and performance characteristics that are consistent with the goals set forth in paragraph (1) of subdivision (a).

(B) A diversified procurement portfolio consisting of short-term and long-term electricity, electricity-related, and demand reduction products.

(C) The resource adequacy requirements established pursuant to Section 380.

(4) The plan of an electric service provider shall achieve the goals set forth in paragraph (1) of subdivision (a) through a diversified portfolio consisting of short-term and long-term electricity, electricity-related, and demand reduction products.

(c) To the extent that additional procurement is authorized for the electrical corporation in the integrated resource plan or the procurement process authorized pursuant to Section 454.5, the commission shall ensure that the costs are allocated in a fair and equitable manner to all customers consistent with Section 454.51, that there is no cost shifting among customers of load-serving entities, and that community choice aggregators may self-provide renewable integration resources consistent with Section 454.51. The commission may order the procurement of resources with specific attributes by load-serving entities as a result of the integrated resource planning process and shall enforce any resource procurement requirements on a nondiscriminatory basis.

Enforcement may include the assessment of penalties for noncompliance.

(d) To eliminate redundancy and increase efficiency, the process adopted pursuant to subdivision (a) shall incorporate, and not duplicate, any other planning processes of the commission.

(e) This section applies to an electrical cooperative, as defined in Section 2776, only if the electrical cooperative has an annual electrical demand exceeding 700 gigawatthours, as determined based on a three-year average commencing with January 1, 2013.

(f) (1) The commission shall not include the energy, capacity, or any attribute from Diablo Canyon Unit 1 beyond November 1, 2024, or Unit 2 beyond August 26, 2025, in the adopted integrated resource plan portfolios, resource stacks, or preferred system plans.

(2) The commission shall disallow a load-serving entity from including in their adopted integrated resource plan any energy, capacity, or any attribute from the Diablo Canyon Unit 1 beyond November 1, 2024, or Unit 2 beyond August 26, 2025.

(g) For a thermal powerplant that uses nuclear fission technology not constructed in the twenty-first century, all resource attributes shall be retired on January 1, 2031, and shall be reported as a separate, line item resource for purposes of complying with Section 398.4.

(h) (1) Only a new energy resource that meets all of the following requirements is eligible to be procured by the Department of Water Resources pursuant to this section:

(A) The resource directly supports attainment of the goals specified in Section 454.53 without increasing the state's dependence on any fossil fuel-based resources.

(B) The resource is determined by the commission to not be under contract at sufficient levels as shown in load-serving entities' most recent individual integrated resource plans submitted to and reviewed by the commission pursuant to this section to achieve the goals specified in Section 454.53.

(C) The resource has a construction and development lead time of at least five years.

(D) The resource does not generate electricity using fossil fuels or fuels derived from fossil fuels.

(E) The resource does not use combustion to generate electricity, unless that combustion use is ancillary and necessary to facilitate geothermal electricity generation.

(2) Resources from a pump hydroelectric facility may be procured by the Department of Water Resources pursuant to this section if the pump hydroelectric facility does not exceed 500 megawatts and has been directly appropriated funding by the state before January 1, 2023.

(i) For purposes of this section, “load-serving entity” has the same meaning as defined in Section 380.

SEC. 9. Section 913.21 is added to the Public Utilities Code, to read:

913.21. Notwithstanding Section 10231.5 of the Government Code, the commission shall annually submit a report to the Governor and the Legislature on the types, amounts, and costs to ratepayers of eligible energy resources procured pursuant to Section 454.52.

SEC. 10. Section 1001.1 is added to the Public Utilities Code, to read:

1001.1. In a proceeding evaluating the issuance of a certificate of public convenience and necessity for a proposed transmission project, the commission shall establish a rebuttable presumption with regard to need for the proposed transmission project in favor of an Independent System Operator governing board-approved need evaluation if all of the following are satisfied:

(a) The Independent System Operator governing board has made explicit findings regarding the need for the proposed transmission project and has determined that the proposed project is the most cost-effective transmission solution.

(b) The Independent System Operator is a party to the proceeding.

(c) The Independent System Operator governing board-approved need evaluation is submitted to the commission within sufficient time to be included within the scope of the proceeding.

(d) There has been no substantial change to the scope, estimated cost, or timeline of the proposed transmission project as approved by the Independent System Operator governing board.

SEC. 11. Section 9620 of the Public Utilities Code is amended to read:

9620. (a) Each local publicly owned electric utility serving end-use customers shall prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable

electric service to its customers. Customer generation located on the customer's site or providing electric service through arrangements authorized by Section 218, shall not be subject to these requirements if the customer generation, or the load it serves, meets one of the following criteria:

(1) It takes standby service from the local publicly owned electric utility on a rate schedule that provides for adequate backup planning and operating reserves for the standby customer class.

(2) It is not physically interconnected to the electric transmission or distribution grid, so that, if the customer generation fails, backup power is not supplied from the electricity grid.

(3) There is physical assurance that the load served by the customer generation will be curtailed concurrently and commensurately with an outage of the customer generation.

(b) Each local publicly owned electric utility serving end-use customers shall, at a minimum, meet the most recent minimum planning reserve and reliability criteria approved by the Board of Trustees of the Western Systems Coordinating Council or the Western Electricity Coordinating Council.

(c) Each local publicly owned electric utility shall prudently plan for and procure energy storage systems that are adequate to meet the requirements of Section 2836.

(d) A local publicly owned electric utility serving end-use customers shall, upon request, provide the Energy Commission with any information the Energy Commission determines is necessary to evaluate the progress made by the local publicly owned electric utility in meeting the requirements of this section, consistent with the annual targets established pursuant to subdivision (c) of Section 25310 of the Public Resources Code.

(e) The Energy Commission shall report to the Legislature, to be included in each integrated energy policy report prepared pursuant to Section 25302 of the Public Resources Code, regarding the progress made by each local publicly owned electric utility serving end-use customers in meeting the requirements of this section.

(f) A local publicly owned electric utility may meet its minimum planning reserve margin through individual contractual procurement or through an aggregated or pooled portfolio of resources if that aggregation or pooling is defined in a contractual arrangement and each participating local publicly owned electric

utility meets its individual minimum planning reserve margin based on its share of the resource portfolio pool.

SEC. 12. Section 80713 is added to the Water Code, to read:

80713. (a) (1) On and before June 30, 2027, if the Department of Water Resources determines that resources it procured through the Electricity Supply Strategic Reliability Reserve Program were used in a given month to meet a load-serving entity's identified reliability need, the Public Utilities Commission shall annually assess a capacity payment on each load-serving entity that during that same month fails to meet its system resource adequacy requirements pursuant to Section 380 of the Public Utilities Code. The capacity payment is not a penalty and does not prohibit the Public Utilities Commission from assessing a penalty on a load-serving entity for a failure to comply with any resource adequacy requirement.

(2) If a load-serving entity fails to comply with its system resource adequacy requirements pursuant to Section 380 in a month when resources procured by the Department of Water Resources through the Electricity Supply Strategic Reliability Reserve Program are used to meet the load-serving entity's identified reliability need and a penalty is assessed by the commission on the load-serving entity for that failure, then, on and before June 30, 2027, both of the following requirements shall apply:

(A) If the penalty is less than the capacity payment, the capacity payment shall be reduced by the amount of the penalty and the penalty shall be deposited into the Load-Serving Entity Capacity Payment Account.

(B) If the penalty is more than the capacity payment, then an amount of the penalty equal to the otherwise applicable capacity payment shall be deposited into the Load-Serving Entity Capacity Payment Account.

(3) The annual capacity payment shall be remitted to the Load-Serving Entity Capacity Payment Account by a load-serving entity that was assessed a capacity payment pursuant to paragraph (1) within 30 days of the commission notifying the load-serving entity.

(b) The Public Utilities Commission, in consultation with the commission, shall determine a capacity payment unit cost in kilowatt per month for load-serving entities that is based on the monthly cost of the resources procured using moneys from the

Department of Water Resources Electricity Supply Reliability Reserve Fund, including the Load-Serving Entity Capacity Payment Account, with the total costs weighted two-thirds for June through September and one-third for the remaining eight months, and this unit cost shall be multiplied by the amount of kilowatts that the load-serving entity was deficient in its system resource adequacy requirements during the same month the Electricity Supply Strategic Reliability Reserve Program resources were used, based on the resource adequacy program rules, requirements, and resource counting conventions in place at the time of the deficiency, after crediting the deficient load-serving entity with its share of any reliability resources procured by other entities on its behalf. The Public Utilities Commission may make any further adjustments to the capacity values of any nonperforming resources included in a load-serving entity's portfolio when determining the amount of this deficiency. Any adjustments made by the Public Utilities Commission shall align with any adjustments made by the commission as authorized by subdivision (b) of Section 80714.

(c) This section shall become operative on January 31, 2024.

SEC. 13. Section 80714 is added to the Water Code, to read:

80714. (a) (1) Upon the submission of the report pursuant to subdivision (d) and on and before June 30, 2027, if the Department of Water Resources determines that resources it procured through the Electricity Supply Strategic Reliability Reserve Program were used in a given month to meet an identified reliability need, the executive director of the commission shall annually assess a capacity payment on each local publicly owned electric utility in the Independent System Operator balancing area that during that same month fails to meet its minimum planning reserve margin.

(2) The annual capacity payment shall be remitted to the Local Publicly Owned Electric Utility Capacity Payment Account by a local publicly owned electric utility that was assessed a capacity payment pursuant to paragraph (1) within 30 days of the executive director notifying the local publicly owned electric utility.

(b) Upon the submission of the report pursuant to subdivision (d), the commission, in consultation with the Public Utilities Commission, shall determine a capacity payment unit cost in kilowatt per month for local publicly owned electric utilities that is based on the monthly cost of the resources procured using moneys from the Department of Water Resources Electricity

Supply Reliability Reserve Fund, including the Local Publicly Owned Electric Utility Capacity Payment Account, with the total costs weighted two-thirds for June through September and one-third for the remaining eight months, and this unit cost shall be multiplied by the amount of kilowatts that the local publicly owned electric utility was deficient in its minimum planning reserve margin during the same month the Electricity Supply Strategic Reliability Reserve Program resources were used using the same resource counting conventions applied by the Public Utilities Commission pursuant to subdivision (b) of Section 80713, after crediting the deficient local publicly owned electric utilities with their share of any reliability resources procured by other entities on their behalf. The commission may make any further adjustments to the capacity values of any nonperforming resources included in a local publicly owned electric utility's portfolio when determining the amount of this deficiency. Any adjustments made by the commission shall align with any adjustments made by the Public Utilities Commission as authorized by subdivision (b) of Section 80713.

(c) Upon the submission of the report pursuant to subdivision (d), the commission may adopt regulations to implement this section.

(d) On or before January 31, 2024, the commission, in consultation with the Public Utilities Commission, shall submit a report to the appropriate policy and budget committees of the Legislature that includes an assessment of whether each local publicly owned electric utility exceeded, met, or failed to meet its minimum planning reserve margin for 2023 and the system resource adequacy requirements from June 1, 2023, to September 30, 2023, inclusive, that the Public Utilities Commission established for load-serving entities pursuant to Section 380 of the Public Utilities Code and adopted in Public Utilities Commission Decision 22-06-050 (June 23, 2022) Decision Adopting Local Capacity Obligations for 2023–2025, Flexible Capacity Obligations for 2023, and Reform Track Framework.

(e) For purposes of this section, “minimum planning reserve margin” means a local publicly owned electric utility's planning reserve margin, as described in Section 9620 of the Public Utilities Code, unless the local publicly owned electric utility revises that planning reserve margin based on recommendations from the

commission pursuant to subdivision (b) of Section 25704.5 of the Public Resources Code, in which case “minimum planning reserve margin” means the local publicly owned electric utility’s revised minimum planning reserve margin.

SEC. 14. Section 80720 of the Water Code is amended to read:

80720. (a) There is hereby established in the State Treasury the Department of Water Resources Electricity Supply Reliability Reserve Fund.

(b) Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated to the department, without regard to fiscal years, and shall be available for the purposes of Chapter 2 (commencing with Section 80710).

(c) Obligations authorized and expenses incurred by the department in administering this division shall be payable solely from the fund.

(d) Except as specified in subdivisions (h) and (i), all revenues payable to the department for activities undertaken by the department under Chapter 2 (commencing with Section 80710) shall be deposited into the fund.

(e) The fund shall be separate and distinct from any other fund and moneys administered by the department and any interest earned on the moneys in the fund shall be used solely for purposes of this division.

(f) When fixed assets procured under the authority of this division are sold or otherwise disposed of, the revenue from the sale or disposition, including any gain or loss, measured by the difference between book value and selling price, shall be deposited into the fund and available to the department for purposes of Chapter 2 (commencing with Section 80710). Any remaining revenue from the sale or other disposition of fixed assets procured under the authority of this division shall be returned to the General Fund once all obligations of the department are satisfied after the wind down of this division and the closure of the fund. While any obligation of the department incurred under this division remains outstanding and not fully performed or discharged, the rights, powers, duties, and existence of the department shall not be diminished or impaired in any manner that will adversely affect the interests and rights of the holders of or parties to those obligations.

(g) (1) For activities undertaken by the department pursuant to Chapter 2 (commencing with Section 80710), the department may obtain applicable credits pursuant to the federal Inflation Reduction Act of 2022 (Public Law 117-169). If the department elects for direct payment of those applicable credits, those payments shall be deposited directly into the fund.

(2) Within 10 days of any payments being deposited into the fund, described in paragraph (1), the department shall provide written notice to the Joint Legislative Budget Committee, who shall provide a copy of the notice to the relevant policy committees. The notice shall include the source, purpose, timeliness, and other relevant information as determined by the department.

(3) Use of the payments shall be consistent with all of the following:

(A) The payments shall be expended for a purpose that is consistent with state law.

(B) Acceptance of the payments does not impose on the state any requirement to commit or expend new state funds for any program or purpose.

(C) The need exists to expend the payments during the 2023–24 fiscal year.

(D) The use of the payments shall be consistent with the priorities described in subdivision (a) of Section 38590.1 of the Health and Safety Code.

(h) (1) The Load-Serving Entity Capacity Payment Account is hereby established in the Department of Water Resources Electricity Supply Reliability Reserve Fund.

(2) Upon appropriation by the Legislature, moneys in the Load-Serving Entity Capacity Payment Account shall be available for purposes of Chapter 2 (commencing with Section 80710).

(3) All revenues payable to the department pursuant to Section 80713 shall be deposited into the Load-Serving Entity Capacity Payment Account.

(i) (1) The Local Publicly Owned Electric Utility Capacity Payment Account is hereby established in the Department of Water Resources Electricity Supply Reliability Reserve Fund.

(2) Upon appropriation by the Legislature, moneys in the Local Publicly Owned Electric Utility Capacity Payment Account shall be available for purposes of Chapter 2 (commencing with Section 80710).

(3) All revenues payable to the department pursuant to Section 80714 shall be deposited into the Local Publicly Owned Electric Utility Capacity Payment Account.

SEC. 15. Division 29.5 (commencing with Section 80800) is added to the Water Code, to read:

DIVISION 29.5. ELIGIBLE ENERGY RESOURCE
CENTRAL PROCUREMENT

CHAPTER 1. GENERAL PROVISIONS

80800. This division does not reduce or modify an electrical corporation's obligation to serve.

80801. The commission shall issue orders it determines are necessary to carry out this division.

80802. (a) The Legislature finds and declares all of the following:

(1) California has significantly reduced the emissions of greenhouse gases from its electricity sector by fostering the development of renewable and zero-carbon energy resources through the establishment of ambitious goals and policies. These efforts have fundamentally transformed the state's portfolio of energy resources and the day-to-day operations of the state's electrical system.

(2) The state has enabled the expansion of electrical retail choice for customers served in electrical corporation service territory, bringing new market entrants and innovation to California's evolving retail electricity market.

(3) The state's electrical system also faces the risk of increased disruption due to more frequent and intense extreme weather events fueled by a rapidly changing climate.

(4) For California to achieve its long-term greenhouse gas emission reduction goals, while maintaining a reliable electrical system and providing customers with greater choice in electricity retail providers, the state must establish a new, limited central procurement function within the department that enables the development of a more diverse portfolio of renewable and zero-carbon energy resources.

(b) In enacting this division, it is the intent of the Legislature to do all of the following:

(1) Create a central procurement function within the department that would only be exercised if, pursuant to paragraph (4) of subdivision (a) of Section 454.52 of the Public Utilities Code, the commission determines that there is a need for the procurement of additional eligible energy resources and requests the department to procure those resources and, in response to that request, the department elects to exercise that central procurement function to procure those resources pursuant to this division.

(2) If the department exercises that central procurement function, as described in paragraph (1), provide an opportunity for local publicly owned electric utilities to elect for the department to procure eligible energy resources on their behalf pursuant to Section 80822.

(3) Prohibit the department from recovering funds pursuant to a nonbypassable charge on the ratepayers of a load-serving entity for purposes other than providing for the department's acquisition costs for eligible energy resources, including transmission, scheduling, financing, program administration, and other related costs, pursuant to Section 80821.

(4) Prohibit the department from selling any eligible energy resources it acquires pursuant to this division at more than the department's acquisition costs, including transmission, scheduling, financing, program administration, and other related costs, when selling those resources under a long-term contract.

(5) Pursuant to Section 80821, prohibit the department from pursuing procurement activities, including, if authorized, the issuance of bonds, except upon a finding from the commission that the recovery of costs through charges on customers, the issuance of bonds, and the material terms of such bonds, including interest rates, rating, amortization, and maturity, do not unreasonably increase costs to customers on a net present value basis.

(6) Require the department to prioritize investments that do not compete with the procurement of eligible energy resources already planned for development and disclosed by load-serving entities or local publicly owned electric utilities.

80803. The development and operation of a central procurement function program by the department, as provided in this division, is in all respects for the welfare and benefit of the people of the

state, to protect the public peace, health, and safety, and constitutes an essential government purpose.

80804. This division shall be liberally construed in a manner so as to effectuate its purposes and objectives.

80805. (a) The powers and responsibilities of the department established pursuant to this division are separate from, and not governed by, the provisions relating to the State Water Resources Development System, including, but not limited to, those powers and responsibilities granted pursuant to Part 3 (commencing with Section 11100) of Division 6 and the California Water Resources Development Bond Act (Chapter 8 (commencing with Section 12930) of Part 6 of Division 6).

(b) This division does not subject the department to the jurisdictional authority of the commission or expand the jurisdiction of the commission, including that state water resources development system facilities subject to the California Water Resources Development Bond Act (Chapter 8 (commencing with Section 12930) of Part 6 of Division 6) and the department's other electrical generation projects or power contracts outside of those funded through the fund, remain outside the jurisdiction of the commission.

80806. The department may adopt regulations for purposes of administering this division.

CHAPTER 2. DEFINITIONS

80810. For purposes of this division, the following definitions apply:

(a) "Bond" means any bond, note, or other written evidence of indebtedness issued solely for purposes of supporting the fund and other related expenses incurred by the department pursuant to this division, or for reimbursing expenditures from the fund for those purposes, establishing or maintaining reserves in connection with a bond, costs of issuance of a bond or incidental to its payment or security, capitalized interest, or renewing or refunding any bonds.

(b) "California balancing authority" has the same meaning as defined in Section 399.12 of the Public Utilities Code.

(c) "Commission" means the Public Utilities Commission.

(d) "Electrical corporation" has the same meaning as defined in Section 218 of the Public Utilities Code.

(e) “Eligible energy resource” means an energy resource eligible to be procured by the Department of Water Resources pursuant to Section 454.52 of the Public Utilities Code that has a first point of interconnection with a California balancing authority.

(f) “Energy Commission” means the State Energy Resources Conservation and Development Commission.

(g) “Fund” means the Eligible Energy Resource Central Procurement Fund established in Section 80830.

(h) “Independent System Operator” means the Independent System Operator described in Article 3 (commencing with Section 345) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.

(i) “Load-serving entity” has the same meaning as defined in Section 380 of the Public Utilities Code.

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

CHAPTER 3. DEPARTMENT POWERS

80820. (a) (1) Consistent with Sections 380, 454.51, 454.52, 454.53, and 454.54 of the Public Utilities Code and this division, if the commission requests the department to procure eligible energy resources, and the department elects to exercise its central procurement function to conduct one or more competitive solicitations or enter into contracts for eligible energy resources pursuant to paragraph (4) of subdivision (a) of Section 454.52 of the Public Utilities Code, the commission, in consultation with the department, shall develop and adopt procedures and requirements that govern competitive procurement by, obligations on, and recovery of costs incurred by the department pursuant to this division.

(2) The commission and the department shall establish a procurement group to advise the department on the procurement undertaken pursuant to this division.

(3) The department shall not enter into new contracts pursuant to this division on or after January 1, 2035.

(b) In evaluating the bids received through a solicitation, the department shall consider all of the following:

(1) For eligible energy resources dependent on the development of a project, that project’s viability, including, but not limited to,

developer experience, developer financial strength and creditworthiness sufficient to eliminate financing contingencies, and the status of required permits and licenses, including a commitment to submit a consistency certification provided pursuant to the federal Coastal Zone Management Act of 1972 (16 U.S.C. Sec. 1451 et seq.) to the California Coastal Commission for offshore wind energy development projects, to the extent required.

(2) The ability to meet in-service dates offered during the solicitation and the ability to meet those in-service dates without escalation in cost.

(3) The useful life of the project.

(4) The capability to supply energy, capacity, and ancillary services at locations, times of day, and for durations that meet the state's energy resource needs, as determined by the department and the commission.

(5) The bidder's economic and local community impact, workforce development needs and opportunities, environmental impact mitigation plan, and equipment acquisition and supply chain investment plan.

(6) A plan to contribute to large-scale, regional, or statewide baseline and ongoing monitoring of coastal waters and wildlife, if applicable.

(7) Any other criteria determined by the commission or the department.

(c) Every bid for the development of an eligible energy resource project selected by the department shall include the bidder's certification that either of the following are true:

(1) The entirety of the construction of the eligible energy resource project is a public work for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

(2) The construction of the eligible energy resource project is not in its entirety a public work for which prevailing wages are required to be paid pursuant to Article 1 (commencing with Section 1720) of Chapter 1 of Part 7 of Division 2 of the Labor Code, but all construction workers employed on the project will be paid at least the general prevailing rate of per diem wages for the type of work and geographic area, as determined by the Director of Industrial Relations pursuant to Sections 1773 and 1773.9 of the Labor Code, except that apprentices registered in programs

approved by the Chief of the Division of Apprenticeship Standards may be paid at least the applicable apprentice prevailing rate. If the eligible energy resource project is subject to this paragraph, for those portions of the eligible energy resource project that are not a public work, all of the following requirements shall apply:

(A) The bidder shall ensure that the prevailing wage requirement is included in all contracts for the performance of all construction work.

(B) All contractors and subcontractors shall pay to all construction workers employed in the construction of the eligible energy resource project at least the general prevailing rate of per diem wages, except that apprentices registered in programs approved by the Chief of the Division of Apprenticeship Standards may be paid at least the applicable apprentice prevailing rate.

(C) All contractors and subcontractors performing construction work on the eligible energy resource project shall employ apprentices at no less than the ratio required in Section 1777.5 of the Labor Code.

(D) Except as specified in subparagraph (F), all contractors and subcontractors performing construction work shall maintain and verify payroll records pursuant to Section 1776 of the Labor Code, make those records available for inspection and copying pursuant to Section 1776 of the Labor Code, and furnish those payroll records to the Labor Commissioner pursuant to Section 1771.4 of the Labor Code.

(E) Except as specified in subparagraph (F), the obligation of the contractors and subcontractors to pay prevailing wages and employ apprentices may be enforced by the Labor Commissioner through the issuance of a civil wage and penalty assessment pursuant to Section 1741 of the Labor Code, which may be reviewed pursuant to Section 1742 of the Labor Code, within 18 months after the completion of the project, by an underpaid worker through an administrative complaint or civil action, or by a joint labor-management committee through a civil action pursuant to Section 1771.2 of the Labor Code. If a civil wage and penalty assessment is issued, the contractor, subcontractor, and surety on a bond issued to secure the payment of wages covered by the assessment shall be liable for liquidated damages pursuant to Section 1742.1 of the Labor Code.

(F) Subparagraphs (D) and (E) do not apply if all contractors and subcontractors performing construction work on the eligible energy resource project are subject to a project labor agreement. The project labor agreement shall also include, but not be limited to, all of the following requirements:

(i) Provisions requiring payment of prevailing wages to all construction workers employed in the construction of the eligible energy resource project and for enforcement of that obligation through an arbitration procedure.

(ii) Targeted hiring provisions, including a targeted hiring plan, on a craft-by-craft basis to address job access for local, disadvantaged, or underrepresented workers, as defined by a relevant local agency.

(iii) Apprenticeship use provisions that commit all parties to increasing the share of work performed by state-registered apprentices above the state-mandated minimum ratio required in Section 1777.5 of the Labor Code.

(iv) Apprenticeship use provisions that commit all parties to hiring and retaining a certain percentage of state-registered apprentices that have completed the multicraft core preapprenticeship training curriculum described in Section 14005 of the Unemployment Insurance Code.

(d) Every bid for the development of an eligible energy resource project selected by the department shall include the bidder's certification that a skilled and trained workforce will be used to perform all construction work on the eligible energy resource project, consistent with all of the following requirements:

(1) The bidder shall require in all contracts for the performance of work that every contractor and subcontractor at every tier will individually use a skilled and trained workforce to construct the eligible energy resource project.

(2) Every contractor and subcontractor shall use a skilled and trained workforce to construct the eligible energy resource project.

(3) Except as specified in subdivision (c), contractors and subcontractors that fail to use a skilled and trained workforce shall be subject to the penalties provided in Section 2603 of the Public Contract Code. Penalties for a contractor's or subcontractor's failure to comply with the requirement to use a skilled and trained workforce may be assessed by the Labor Commissioner within 18 months of completion of the project using the same procedures

for issuance of civil wage and penalty assessments pursuant to Section 2603 of the Public Contract Code. Penalties shall be paid to the State Public Works Enforcement Fund.

(4) For purposes of this subdivision, a bidder shall be considered to be an “awarding body” under Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code. Except as specified in paragraph (5), the bidder shall retain records, including copies of monthly reports, that demonstrate compliance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code while the eligible energy resource project or contract is being performed and for three years after completion of the eligible energy resource project or contract. The bidder shall submit these records immediately upon request of the commission. When submitted to the commission, these records shall be a public record under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code) and shall be open to public inspection.

(5) Paragraphs (3) and (4) do not apply if all contractors and subcontractors performing work on the eligible energy resource project are subject to a project labor agreement. The project labor agreement shall also include, but not be limited to, all of the following requirements:

(A) Provisions requiring compliance with the skilled and trained workforce requirement and for enforcement of that obligation through an arbitration procedure.

(B) Targeted hiring provisions, including a targeted hiring plan, on a craft-by-craft basis to address job access for local, disadvantaged, or underrepresented workers, as defined by a local agency.

(C) Apprenticeship use provisions that commit all parties to increasing the share of work performed by state-registered apprentices above the state-mandated minimum ratio required by Section 1777.5 of the Labor Code.

(D) Apprenticeship use provisions that commit all parties to hiring and retaining a certain percentage of state-registered apprentices that have completed the Multi-Craft Core preapprenticeship training curriculum described in Section 14005 of the Unemployment Insurance Code.

(e) For purposes of this section, the following definitions apply:

(1) “Construction” means any new construction work and subsequent construction and construction maintenance work following initial completion that is contracted out to a contractor in the construction industry, including construction work on a barge, construction staging area, or construction area when being used as a construction work platform and the rigging and hoisting of construction materials directly from a barge, construction staging area, or construction area into the construction process for a construction project. “Construction” does not include the loading and unloading of cargo to and from vessels and the movement of cargo to and from vessels at any port facility to the cargo’s point of rest.

(2) “Project labor agreement” has the same meaning as defined in Section 2500 of the Public Contract Code.

(3) “Skilled and trained workforce” has the same meaning as defined in Section 2601 of the Public Contract Code.

80821. (a) (1) When conducting a solicitation pursuant to Section 80820, the department shall confer with the commission and other parties, including local publicly owned electric utilities that are voluntarily participating pursuant to Section 80822 and load-serving entities, for eligible energy resource procurement activities of an identified scope and duration. The department shall recover costs related to conducting the requested solicitations and all supporting work. Cost recovery may be effectuated, if determined to be just and reasonable by the commission before the procurement, through a nonbypassable charge approval process for load-serving entities and pursuant to Section 80822 for local publicly owned electric utilities.

(2) At the request of the department, the commission may require an electrical corporation to act as the agent of the department or to assist the department in conducting the solicitation, bid evaluation, or contract negotiation for new eligible energy resource procurement. The electrical corporation shall be reimbursed by the department for its reasonable costs, as determined by the commission.

(b) If the department’s costs associated with the procurement of eligible energy resources pursuant to this division, including the costs related to bonds issued pursuant to Chapter 5 (commencing with Section 80840), costs related to contracting for eligible energy resources, and other costs to implement and

administer this division, will be recovered through a commission proceeding, the commission shall review the procurement undertaken pursuant to this division and, if approved, issue an order governing the recovery of the department's costs before the consummation of the contract only if both of the following conditions are satisfied:

(1) The recovery of the department's costs, including those costs associated with the procurement process, the resulting transactions, and the associated costs, has been found to be just and reasonable and to be in the public interest.

(2) The recovery of the department's costs, including, if authorized, costs associated with the issuance of bonds and the material terms of those bonds, including, without limitation, interest rates, rating, amortization, and maturity, through charges on customers does not unreasonably increase costs to customers on a net present value basis.

(c) If the commission determines that a nonbypassable charge necessary to fund activities conducted by the department pursuant to this division is just and reasonable, the department shall ensure it has entered into an agreement with the commission for that nonbypassable charge before it begins to incur costs related to a specific activity under this division. If the purpose of the nonbypassable charge is to recover the department's revenue requirement related to bond issuance debt service, the department shall ensure the agreement has the force and effect of an irrevocable financing order adopted in accordance with Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code or that the commission has separately issued an irrevocable financing order related to the nonbypassable charge.

(d) Any agreement between the department and the commission under this section shall provide for the administration of the nonbypassable charge, including both of the following requirements:

(1) The department shall notify the commission each year of the annual collections received by the department and the amount of any excess or deficiency in collections above or below the revenue requirement. The commission shall adjust charges in the subsequent year to reflect that excess or deficiency.

(2) During any period, if the department forecasts that the revenue requirement for that period will not be met and that collections will not be sufficient to fund the revenue requirement established pursuant to Section 80842, the department shall notify the commission in writing and the commission shall act within 60 days of receiving that notice to increase the nonbypassable charge so that the amounts collected during that period are sufficient to meet those obligations.

(e) Any agreement between the department and the commission pursuant to this section that is solely for the purpose of imposing a nonbypassable charge to recover the department's revenue requirement related to bond issuance debt service shall include a provision stating that the commission's just and reasonable determination with respect to the revenue requirement is in effect for the duration of the bond term.

80822. (a) Pursuant to Section 80820, the department may establish a schedule and mechanism for a local publicly owned electric utility to voluntarily obtain from the department eligible energy resources to be acquired by the department through its central procurement function on a contract-by-contract basis.

(b) In order to voluntarily participate, a local publicly owned electric utility shall commit to the imposition of a nonbypassable charge on its ratepayers sufficient at all times to fund its participation and on terms and conditions as set forth in Section 80826.

80822.5. (a) Load-serving entities shall have a voluntary option to obtain incremental eligible energy resources from the department beyond the amounts allocated to the load-serving entity from procurement pursuant to paragraph (1) of subdivision (a) of Section 80820, subject to the approval of the commission and a specific determination by the commission that sufficient capacity is available to accommodate the request to obtain amounts beyond those allocated to the load-serving entity.

(b) The department, in consultation with the commission, may establish a schedule for load-serving entities to provide advance notice of an intent to obtain incremental eligible energy resources. Any load-serving entity exercising its option to voluntarily participate shall be obligated to impose a nonbypassable charge on its ratepayers sufficient to fund its allocated share of the costs of incremental eligible energy resources for the duration of the

contract, as determined by the department and approved by the commission, if applicable.

80823. At the request of the department, the commission may order an electrical corporation, or its successor in the performance of a related service, to transmit or provide for the transmission of, and distribute all electricity made available by the department, and, as agent of the department, provide billing, collection, and other related services on terms and conditions that reasonably compensate the electrical corporation for its services and adequately secure payment to the department.

80824. The commission may issue rules regulating the enforcement of the agency function pursuant to Section 80823, including the collection of nonbypassable charges and payment into the fund on behalf of the department.

80825. (a) If the department has executed an agreement with the commission pursuant to subdivision (c) of Section 80821, the department may recover its costs, as a revenue requirement, in the amounts sufficient and at the times necessary to fund the revenue requirement established pursuant to Section 80842, and shall advise the commission and each voluntarily participating local publicly owned electric utility, as the department determines to be appropriate and subject to the terms of the agreement.

(b) For purposes of this division and except as otherwise provided in subdivision (a), the commission's authority as set forth in Section 451 of the Public Utilities Code shall apply.

80826. (a) A local publicly owned electric utility that voluntarily participates in the department's central procurement function pursuant to Section 80822 shall enter into an agreement with the department for the revenue requirement to fund its participation and that agreement shall have the force and effect of an irrevocable financing order.

(b) The agreement shall provide for the administration of the revenue requirement, including both of the following:

(1) A requirement that the department annually notify the local publicly owned electric utility of the annual collections received by the department with respect to the revenue requirement and the amount of any excess or deficiency in collections above or below the revenue requirement. The local publicly owned electric utility shall adjust charges in the subsequent year to reflect any such excess or deficiency.

(2) During any revenue requirement period, a requirement that, if the department forecasts that the revenue requirement for that period will not be met and that collections will not be sufficient to fund the revenue requirement established pursuant to Section 80842, the department notify the local publicly owned electric utility in writing and the local publicly owned electric utility shall act within 30 days of receiving that notice to increase the charge so that the amount collected during the period is sufficient to meet those obligations.

80827. All moneys collected by load-serving entities and local publicly owned electric utilities and remitted to the department for any eligible energy resources acquired and sold pursuant to this division, and all moneys paid directly or indirectly to or for the account of the department for any sale, exchange, transfer, or disposition of eligible energy resources acquired pursuant to this division, shall be deposited into the fund.

80828. The department may fix and establish the procedure and charges for the sale or other disposal of eligible energy resources purchased by the department.

CHAPTER 4. ELIGIBLE ENERGY RESOURCE CENTRAL PROCUREMENT FUND

80830. (a) There is hereby established in the State Treasury the Eligible Energy Resource Central Procurement Fund. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated, without regard to fiscal year, to the department for purposes of this division.

(b) All revenues payable to the department pursuant to this division, including proceeds of bonds issued pursuant to Chapter 5 (commencing with Section 80840), shall be deposited into the fund. Notwithstanding any other law, interest accruing on the moneys in the fund shall be deposited into the fund and shall be used for purposes of this division.

(c) The fund, and the moneys in the fund, are separate and distinct from any other fund and moneys administered by the department.

(d) Payments from the fund may be made only for the following purposes:

(1) Payment of any bonds or other contractual obligations authorized by this division.

(2) The cost of energy and transmission, scheduling, and other related expenses incurred by the department.

(3) The expenses incurred by the department in administering this division, including costs of personnel, contracts, or arrangements to carry out the department's duties and responsibilities pursuant to this division.

(e) Obligations authorized pursuant to this division shall be payable solely from the fund. Neither the full faith and credit nor the taxing power of the state are, or may be, pledged for any payment under any obligation authorized by this division.

(f) While any obligations of the department incurred pursuant to this division remain outstanding and not fully performed or discharged, the rights, powers, duties, and existence of the department shall not be diminished or impaired in any manner that will adversely affect the interests and rights of the holders of, or parties to, those obligations. The department may include this pledge and undertaking of the state in the department's obligations.

CHAPTER 5. BONDS

80840. (a) (1) If the department elects to exercise its central procurement function to conduct one or more competitive solicitations or enter into contracts to procure eligible energy resources pursuant to this division, as authorized by paragraph (4) of subdivision (a) of Section 454.52 of the Public Utilities Code, due to the timing of cost recovery processes, the department may determine that it is necessary or desirable to issue bonds to support activities for the procurement of eligible energy resources pursuant to this division.

(2) Upon making the determination described in paragraph (1), the department may issue bonds for purposes of financing the procurement of eligible energy resources in support of the fund and other related expenses incurred by the department pursuant to this division, and subsequent to the department having entered into an agreement with the commission regarding a revenue requirement. Bonds shall not be issued in an amount the debt service on which, to the extent payable from the fund, is estimated

by the department to exceed the amounts estimated to be available in the fund for the payment of the bonds.

(b) Before the issuance of bonds in a public offering, the department shall ensure the bonds have an investment grade rating from at least one nationally recognized investment ratings firm and the document authorizing the issuance of the bonds shall provide for repayment from pledged revenues.

(c) The commission shall have an opportunity to review the trust agreement or other documents pursuant to which the bonds are issued and revenues are pledged, and shall consult with the department regarding the trust agreement or other documents regarding any relevant considerations of the commission and to ensure its consistency with the revenue requirement agreement between the department and commission.

(d) In addition to any other purposes for which bonds may be issued pursuant to this division, bonds may be issued for the following purposes:

(1) Refunding bonds to obtain a lower interest rate.

(2) Refunding bonds bearing a variable interest rate with bonds bearing interest at a fixed rate.

(3) Refunding bonds if a nationally recognized investment ratings firm reduces or withdraws, or proposes to reduce or withdraw, the rating assigned to securities that are secured by bond insurance policies, credit, or liquidity facilities issued by the provider of a bond insurance policy, or a credit or liquidity facility securing the bonds being refunded.

(4) Refunding bonds issued to preserve a federal income tax exemption or to qualify or maintain other federal income tax benefits.

80841. (a) Whenever the director determines that the issuance of bonds is necessary or desirable to accomplish the goals set forth in this division, including financing the procurement of eligible energy resources, the director shall issue a written determination authorizing the issuance of bonds by the department. The department, in consultation with the Department of Finance, shall notify the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of each house of the Legislature of its written determination. The bonds shall be sold in the manner, and on the terms and conditions, specified in that determination, and the determination may contain or authorize any

other provision, condition, or limitation not inconsistent with this division and those provisions as may be deemed reasonable and proper for the security of the bondholders. Bonds may mature at the time or times, and bear interest at the rate or rates, which may be fixed or variable and be determined by reference to an index or such other method, and may be federally tax exempt, as specified in the determination. Neither the person executing the determination to issue bonds nor any person executing bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance of the bonds.

(b) In the discretion of the department, bonds may be secured by a trust agreement by and between the department and a trustee, which may be any trust company or bank having trust powers within or outside the state, or the Treasurer. Notwithstanding any other law, the Treasurer shall not be deemed to have a conflict of interest by reason of acting as the trustee. The department may enter into contracts or arrangements in connection with the issuance and sale of bonds, or with respect to any outstanding bonds for so long as those bonds remain outstanding, as it shall deem to be necessary or desirable for the issuance and further security of the bonds, including, but not limited to, credit enhancement agreements, dealer agreements, purchase contracts, escrow agreements, and similar arrangements.

(c) Bonds shall be legal investments for all trust funds, the funds of all insurance companies, savings and commercial banks, trust companies, executors, administrators, trustees, and other fiduciaries, for state school funds, pension funds, and for any funds that may be invested in county, school, or municipal bonds.

(d) Notwithstanding that bonds may be payable from a special fund, the bonds shall be deemed to be negotiable instruments for all purposes.

(e) Any bonds, and the transfer of and income derived from those bonds, shall at all times be free from taxation of every kind by the state and by the political subdivisions of the state.

(f) Bonds shall not be deemed to constitute a debt or liability of the state or of any political subdivision thereof, other than the department, or a pledge of the full faith and credit of the state or of any such political subdivision, but shall be payable solely from the revenues described in paragraph (1) of subdivision (g). All bonds shall contain a statement to the following effect: "Neither

the 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.” The issuance of bonds shall not directly or indirectly or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

(g) (1) The department may pledge and apply all or any part of revenues of any nature whatever accruing to the department, from orders issued, charges imposed, or contracts entered into pursuant to or in furtherance of this division, or the right to receive the same, to the payment or security of any or all of the principal of the bonds or the interest thereon, in the manner and upon terms that the department deems advisable.

(2) (A) It is the intent of the Legislature that any pledge of moneys, revenues, or property made by the department shall be valid and binding from the time when the pledge is made if the commission finds the pledge was just and reasonable, and that the moneys, revenues, or property so pledged and thereafter collected from retail end-use customers, or paid directly or indirectly to or for the account of the department, is hereby made, and shall immediately be, subject to the lien of that pledge without any physical delivery thereof or further act.

(B) It is the intent of the Legislature that the lien of any such pledge shall be valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the department irrespective of whether those parties have notice thereof, and that no resolution or instrument by which the pledge or lien created pursuant to this subdivision is expressed, confirmed, or approved need be filed or recorded in order to perfect the pledge or lien.

(C) It is the intent of the Legislature that this paragraph, in all respects, govern the creation, perfection, priority, and enforcement of any lien created pursuant to this division.

80842. (a) The department shall, and in any obligation entered into pursuant to this division may covenant to, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys deposited into the fund, to provide all of the following:

(1) The amounts necessary to pay the principal of, and premium, if any, and interest on, all bonds as and when the same shall become due.

(2) The amounts necessary to pay for electricity purchased by it and to deliver it to purchasers, including the cost of electricity, transmission, scheduling, and other related expenses incurred by the department, or to make payments under any other contracts, agreements, or obligations entered into by it pursuant to this division, in the amounts and at the times the same shall become due.

(3) Reserves in amount as may be determined by the department from time to time to be necessary or desirable.

(4) The pooled money investment rate on funds advanced for electricity purchases before the receipt of payment for those purchases by the purchasing entity.

(5) The administrative costs of the department and other state agencies, including the costs and fees for professional services, bond issuance and sale, and other miscellaneous costs, incurred in connection with the issuance of bonds or the administration of this division.

(b) The department shall notify the commission of its revenue requirement pursuant to the agreement required pursuant to Section 80821 and that revenue requirement shall be satisfied by the recovery of its costs through a nonbypassable charge.

CHAPTER 6. TERMINATION OF AUTHORITY TO CONTRACT

80850. (a) On or after January 1, 2035, the department shall not contract under this division for the purchase of electrical power.

(b) This section does not affect the authority of the department to administer contracts entered into before that date or any of the department's outstanding bond obligations.

SEC. 16. (a) Upon appropriation of the Legislature, the sum of no less than six million dollars (\$6,000,000) from the General Fund shall be available for the 2024–25 fiscal year to support comprehensive, regional baseline environmental monitoring and research into the impacts of prospective offshore wind energy development in and around regions in which offshore wind energy areas have been leased by the Bureau of Ocean Energy Management of the United States Department of the Interior, pending future legislation.

(b) Upon appropriation by the Legislature, additional moneys from the General Fund shall be made available for the 2024–25

fiscal year and subsequent fiscal years to support the California Coastal Commission's coastal development permitting of prospective offshore wind energy development in and around regions in which offshore wind energy areas have been leased by the Bureau of Ocean Energy Management of the United States Department of the Interior, pending future legislation.

(c) It is the intent of the Legislature to appropriate additional resources for environmental permitting and related needs across applicable state entities upon the submission and review of the assessment referenced in Section 1 of Chapter 51 of the Statutes of 2023.

SEC. 17. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 18. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

To ensure the procurement of eligible energy resources that the state needs to meet its reliability needs, which have been identified as being delayed or needing a secure development path, it is necessary to establish a central procurement entity within the Department of Water Resources and for this act to take effect immediately.

Approved _____, 2023

Governor