

**ASSEMBLY BILL**

**No. 1150**

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**Introduced by Assembly Member V. Manuel Pérez**

February 18, 2011

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1150, as introduced, V. Manuel Pérez. Self-generation incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2016, a self-generation incentive program (SGIP) for distributed generation resources and to separately administer solar technologies pursuant to the California Solar Initiative. The PUC may authorize electrical corporations to annually collect not more than the amount authorized for the SGIP in the 2008 calendar year through December 31, 2011.

This bill would extend the authority of the PUC to authorize electrical corporations to continue making the annual collections through December 31, 2016, and would authorize the PUC, in consultation with the Energy Commission, to continue to administer the program until January 1, 2018.

Existing law limits eligibility for incentives to distributed energy resources that the PUC, in consultation with the State Air Resources Board (state board), determines will achieve reductions in emissions

of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.

This bill would require that not less than 50% of the available incentives be awarded to distributed energy resources that the commission, in consultation with the state board, determines create zero emissions of greenhouse gases where the electricity is generated or stored. The bill would require that projects in which biogas or landfill gas is captured, treated, and converted to electricity onsite shall have priority over directed biogas projects and would authorize the commission to restrict eligibility to onsite projects. The bill would, absent an order of the commission, prohibit an electrical corporation or third-party administrator from accepting an application or reservation for incentive funding submitted by any distributed energy resource owner, or affiliates of an owner, for an amount in excess of \$25,000,000 in any calendar year. The bill would, absent an order of the commission, prohibit an electrical corporation or third-party administrator from making incentive payments on account of any distributed energy resource in an amount greater than \$2.50 per watt.

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

Because the program that is extended under the provisions of this bill are within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

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

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

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

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

- 1 SECTION 1. Section 379.6 of the Public Utilities Code is
- 2 amended to read:
- 3 379.6. (a) (1) The commission, in consultation with the Energy
- 4 Commission, may authorize the annual collection of not more than
- 5 the amount authorized for the self-generation incentive program

1 in the 2008 calendar year, through December 31, ~~2011~~ 2016. The  
2 commission shall require the administration of the program for  
3 distributed energy resources originally established pursuant to  
4 Chapter 329 of the Statutes of 2000 until January 1, ~~2016~~ 2018.  
5 On January 1, ~~2016~~ 2018, the commission shall provide repayment  
6 of all unallocated funds collected pursuant to this section to reduce  
7 ratepayer costs.

8 (2) The commission shall administer solar technologies  
9 separately, pursuant to the California Solar Initiative adopted by  
10 the commission in ~~Decision~~ *Decisions 05-12-044 and 06-01-024,*  
11 *as modified by Article 1 (commencing with Section 2851) of*  
12 *Chapter 9 of Part 2 of this code, and Chapter 8.8 (commencing*  
13 *with Section 25780) of Division 15 of the Public Resources Code.*

14 (b) Eligibility for incentives under the program shall be limited  
15 to distributed energy resources that the commission, in consultation  
16 with the State Air Resources Board, determines will achieve  
17 reductions *in emissions* of greenhouse-gas-emissions *gases* pursuant  
18 to the California Global Warming Solutions Act of 2006 (Division  
19 25.5 (commencing with Section 38500) of the Health and Safety  
20 Code). *The moneys collected and made available for incentives*  
21 *pursuant to the program shall be allocated as follows:*

22 (1) *Not less than 50 percent of the moneys made available for*  
23 *incentives shall be awarded to distributed energy resources that*  
24 *the commission, in consultation with the State Air Resources Board,*  
25 *determines create zero emissions of greenhouse gases where the*  
26 *electricity is generated or stored.*

27 (2) *With respect to the remaining moneys made available for*  
28 *incentives, projects in which biogas or landfill gas is captured,*  
29 *treated, and converted to electricity onsite shall have priority over*  
30 *directed biogas projects. The commission may restrict biogas and*  
31 *landfill gas project eligibility to those projects in which the gas is*  
32 *captured, treated, and converted to electricity onsite.*

33 (c) Eligibility for the funding of any combustion-operated  
34 distributed generation projects using fossil fuel is subject to all of  
35 the following conditions:

36 (1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07  
37 pounds per megawatthour and a minimum efficiency of 60 percent,  
38 or any other NO<sub>x</sub> emissions rate and minimum efficiency standard  
39 adopted by the State Air Resources Board. A minimum efficiency  
40 of 60 percent shall be measured as useful energy output divided

1 by fuel input. The efficiency determination shall be based on 100  
2 percent load.

3 (2) Combined heat and power units that meet the 60-percent  
4 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
5 emissions standard of 0.07 pounds per megawatthour. Credit shall  
6 be at the rate of one megawatthour for each 3.4 million British  
7 thermal units (Btus) of heat recovered.

8 (3) The customer receiving incentives shall adequately maintain  
9 and service the combined heat and power units so that during  
10 operation, the system continues to meet or exceed the efficiency  
11 and emissions standards established pursuant to paragraphs (1)  
12 and (2).

13 (4) Notwithstanding paragraph (1), a project that does not meet  
14 the applicable NO<sub>x</sub> emissions standard is eligible if it meets both  
15 of the following requirements:

16 (A) The project operates solely on waste gas. The commission  
17 shall require a customer that applies for an incentive pursuant to  
18 this paragraph to provide an affidavit or other form of proof, that  
19 specifies that the project shall be operated solely on waste gas.  
20 Incentives awarded pursuant to this paragraph shall be subject to  
21 refund and shall be refunded by the recipient to the extent the  
22 project does not operate on waste gas. As used in this paragraph,  
23 “waste gas” means natural gas that is generated as a byproduct of  
24 petroleum production operations and is not eligible for delivery  
25 to the utility pipeline system.

26 (B) The air quality management district or air pollution control  
27 district, in issuing a permit to operate the project, determines that  
28 operation of the project will produce an onsite net air emissions  
29 benefit, compared to permitted onsite emissions if the project does  
30 not operate. The commission shall require the customer to secure  
31 the permit prior to receiving incentives.

32 (d) In determining the eligibility for the self-generation incentive  
33 program, minimum system efficiency shall be determined either  
34 by calculating electrical and process heat efficiency as set forth in  
35 Section 216.6, or by calculating overall electrical efficiency.

36 (e) ~~It~~(1) *Except as herein provided in this subdivision, in*  
37 *administering the self-generation incentive program, the*  
38 *commission may adjust the amount of rebates and evaluate other*  
39 *public policy interests, including, but not limited to, ratepayers,*

1 and energy efficiency, peak load reduction, load management, and  
2 environmental interests.

3 (2) *Absent an express order of the commission, an electrical*  
4 *corporation or third-party administrator shall not accept an*  
5 *application or reservation for incentive funding submitted by any*  
6 *distributed energy resource owner, or affiliates of an owner, for*  
7 *an amount in excess of twenty-five million dollars (\$25,000,000)*  
8 *in any calendar year. Except in the case of fraud, applications or*  
9 *reservations for funds submitted by a distributed energy resource*  
10 *owner, or affiliates of the owner, that have been withdrawn,*  
11 *rejected, or expired shall not be counted in calculating whether*  
12 *the twenty-five-million-dollar (\$25,000,000) limit has been*  
13 *exceeded.*

14 (3) *Absent an express order of the commission, an electrical*  
15 *corporation or third-party administrator shall not make incentive*  
16 *payments on account of any distributed energy resource in an*  
17 *amount greater than two dollars and fifty cents (\$2.50) per watt.*

18 (4) *For distributed energy resources that the commission*  
19 *determines meet the requirements of paragraph (2) of subdivision*  
20 *(b), the commission shall authorize an electrical corporation or*  
21 *third-party administrator to make incentive payments at the rate*  
22 *of two dollars (\$2) per watt.*

23 (f) The commission shall ensure that distributed generation  
24 resources are made available in the program for all ratepayers.

25 (g) (1) In administering the self-generation incentive program,  
26 the commission shall provide an additional incentive of 20 percent  
27 from existing program funds for the installation of eligible  
28 distributed generation resources from a California supplier.

29 (2) “California supplier” as used in this subdivision means any  
30 sole proprietorship, partnership, joint venture, corporation, or other  
31 business entity that manufactures eligible distributed generation  
32 resources in California and that meets either of the following  
33 criteria:

34 (A) The owners or policymaking officers are domiciled in  
35 California and the permanent principal office, or place of business  
36 from which the supplier’s trade is directed or managed, is located  
37 in California.

38 (B) A business or corporation, including those owned by, or  
39 under common control of, a corporation, that meets all of the  
40 following criteria continuously during the five years prior to

1 providing eligible distributed generation resources to a  
2 self-generation incentive program recipient:

3 (i) Owns and operates a manufacturing facility located in  
4 California that builds or manufactures eligible distributed  
5 generation resources.

6 (ii) Is licensed by the state to conduct business within the state.

7 (iii) Employs California residents for work within the state.

8 (3) For purposes of qualifying as a California supplier, a  
9 distribution or sales management office or facility does not qualify  
10 as a manufacturing facility.

11 (h) The costs of the program adopted and implemented pursuant  
12 to this section shall not be recovered from customers participating  
13 in the California Alternate Rates for Energy (CARE) program.

14 SEC. 2. No reimbursement is required by this act pursuant to  
15 Section 6 of Article XIII B of the California Constitution because  
16 the only costs that may be incurred by a local agency or school  
17 district will be incurred because this act creates a new crime or  
18 infraction, eliminates a crime or infraction, or changes the penalty  
19 for a crime or infraction, within the meaning of Section 17556 of  
20 the Government Code, or changes the definition of a crime within  
21 the meaning of Section 6 of Article XIII B of the California  
22 Constitution.