

AMENDED IN ASSEMBLY MAY 27, 2011  
AMENDED IN ASSEMBLY MAY 11, 2011  
AMENDED IN ASSEMBLY APRIL 28, 2011  
AMENDED IN ASSEMBLY APRIL 25, 2011  
AMENDED IN ASSEMBLY MARCH 29, 2011  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**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 amended, 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 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, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), 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 ~~expand~~ *extend* the authority of the PUC to authorize electrical corporations to continue making the annual collections through December 31, 2014, as provided, and would require the PUC to continue to administer the program until January 1, 2018. The bill would require the PUC to transition the program to performance-based incentives, so that incentive payments are earned based on the actual electrical output of the distributed energy resource. The bill would require the PUC to require, for an incentive payment received on the basis that the distributed energy project uses a renewable fuel, confirmation of the physical delivery of the renewable fuel to the project or to the California pipeline system, in an amount equivalent to the fuel requirements of the project for the life of the project. The bill would delete provisions requiring combustion-operated distributed generation projects using fossil fuel to meet specified emission requirements, and instead require eligible distributed energy projects to meet applicable State Air Resources Board certification standards and applicable air pollution control district or air quality management district permitting standards. The bill would require the PUC to periodically evaluate the program to adjust the amount of rebates and other program design elements to achieve specified program goals and objectives 2012.

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:*

1 379.6. (a) (1) The commission, in consultation with the Energy  
2 Commission, may authorize the annual collection of not more than  
3 the amount authorized for the self-generation incentive program  
4 in the 2008 calendar year, through December 31, ~~2011~~ 2012. The  
5 commission shall require the administration of the program for  
6 distributed energy resources originally established pursuant to  
7 Chapter 329 of the Statutes of 2000 until January 1, 2016. On  
8 January 1, 2016, the commission shall provide repayment of all  
9 unallocated funds collected pursuant to this section to reduce  
10 ratepayer costs.

11 (2) The commission shall administer solar technologies  
12 separately, pursuant to the California Solar Initiative adopted by  
13 the commission in Decision 06-01-024.

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 of greenhouse gas emissions pursuant to the California  
18 Global Warming Solutions Act of 2006 (Division 25.5  
19 (commencing with Section 38500) of the Health and Safety Code).

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

23 (1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07  
24 pounds per megawatthour and a minimum efficiency of 60 percent,  
25 or any other NO<sub>x</sub> emissions rate and minimum efficiency standard  
26 adopted by the State Air Resources Board. A minimum efficiency  
27 of 60 percent shall be measured as useful energy output divided  
28 by fuel input. The efficiency determination shall be based on 100  
29 percent load.

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

35 (3) The customer receiving incentives shall adequately maintain  
36 and service the combined heat and power units so that during  
37 operation, the system continues to meet or exceed the efficiency  
38 and emissions standards established pursuant to paragraphs (1)  
39 and (2).

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

4 (A) The project operates solely on waste gas. The commission  
5 shall require a customer that applies for an incentive pursuant to  
6 this paragraph to provide an affidavit or other form of proof, that  
7 specifies that the project shall be operated solely on waste gas.  
8 Incentives awarded pursuant to this paragraph shall be subject to  
9 refund and shall be refunded by the recipient to the extent the  
10 project does not operate on waste gas. As used in this paragraph,  
11 “waste gas” means natural gas that is generated as a byproduct of  
12 petroleum production operations and is not eligible for delivery  
13 to the utility pipeline system.

14 (B) The air quality management district or air pollution control  
15 district, in issuing a permit to operate the project, determines that  
16 operation of the project will produce an onsite net air emissions  
17 benefit, compared to permitted onsite emissions if the project does  
18 not operate. The commission shall require the customer to secure  
19 the permit prior to receiving incentives.

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

24 (e) In administering the self-generation incentive program, the  
25 commission may adjust the amount of rebates and evaluate other  
26 public policy interests, including, but not limited to, ratepayers,  
27 and energy efficiency, peak load reduction, load management, and  
28 environmental interests.

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

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

35 (2) “California supplier” as used in this subdivision means any  
36 sole proprietorship, partnership, joint venture, corporation, or other  
37 business entity that manufactures eligible distributed generation  
38 resources in California and that meets either of the following  
39 criteria:

1 (A) The owners or policymaking officers are domiciled in  
2 California and the permanent principal office, or place of business  
3 from which the supplier's trade is directed or managed, is located  
4 in California.

5 (B) A business or corporation, including those owned by, or  
6 under common control of, a corporation, that meets all of the  
7 following criteria continuously during the five years prior to  
8 providing eligible distributed generation resources to a  
9 self-generation incentive program recipient:

10 (i) Owns and operates a manufacturing facility located in  
11 California that builds or manufactures eligible distributed  
12 generation resources.

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

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

15 (3) For purposes of qualifying as a California supplier, a  
16 distribution or sales management office or facility does not qualify  
17 as a manufacturing facility.

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

21 ~~SECTION 1. Section 379.6 of the Public Utilities Code is~~  
22 ~~amended to read:~~

23 ~~379.6. (a) (1) It is the intent of the Legislature that the~~  
24 ~~self-generation incentive program should increase deployment of~~  
25 ~~distributed generation and distributed storage systems to facilitate~~  
26 ~~integration of those resources into the electrical grid and reduce~~  
27 ~~ratepayer costs.~~

28 ~~(2) The commission, in consultation with the Energy~~  
29 ~~Commission, may authorize the annual collection of not more than~~  
30 ~~eighty-three million dollars (\$83,000,000) in each calendar year~~  
31 ~~through December 31, 2014, which the commission may increase~~  
32 ~~on an annual basis in an appropriate amount consistent with, but~~  
33 ~~not limited to, the annual rate of inflation. The commission shall~~  
34 ~~administer the self-generation incentive program until January 1,~~  
35 ~~2018. On January 1, 2018, the commission shall provide repayment~~  
36 ~~of all unallocated funds collected pursuant to this section to reduce~~  
37 ~~ratepayer costs.~~

38 ~~(3) The commission shall administer solar technologies~~  
39 ~~separately, pursuant to the California Solar Initiative adopted by~~  
40 ~~the commission in Decisions 05-12-044 and 06-01-024, as modified~~

1 by Article 1 (commencing with Section 2851) of Chapter 9 of Part  
2 of this code, and Chapter 8.8 (commencing with Section 25780)  
3 of Division 15 of the Public Resources Code.

4 (b) Eligibility for incentives under the program shall be limited  
5 to distributed energy resources that the commission, in consultation  
6 with the State Air Resources Board, determines will achieve  
7 reductions in emissions of greenhouse gases pursuant to the  
8 California Global Warming Solutions Act of 2006 (Division 25.5  
9 (commencing with Section 38500) of the Health and Safety Code).

10 (c) (1) An eligible distributed energy project shall meet  
11 applicable State Air Resources Board certification standards and  
12 applicable air pollution control district or air quality management  
13 district permitting standards.

14 (2) An eligible distributed energy project subject to State Air  
15 Resources Board certification or district permitting shall be  
16 adequately maintained and serviced to ensure that during operation  
17 the resource continues to meet or exceed the certification or  
18 permitting requirement.

19 (3) Notwithstanding paragraph (1), a project that does not meet  
20 the applicable  $\text{NO}_x$  emissions standard is eligible if it meets both  
21 of the following requirements:

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

32 (B) The air quality management district or air pollution control  
33 district, in issuing a permit to operate the project, determines that  
34 operation of the project will produce an onsite net air emissions  
35 benefit, compared to permitted onsite emissions if the project does  
36 not operate. The commission shall require the customer to secure  
37 the permit prior to receiving incentives.

38 (d) In determining the eligibility for the self-generation incentive  
39 program, minimum system efficiency shall be determined either

1 by calculating electrical and process heat efficiency as set forth in  
2 Section 216.6, or by calculating overall electrical efficiency.  
3 (e) In administering the self-generation incentive program, the  
4 commission shall periodically evaluate the program to adjust the  
5 amount of rebates and other program design elements to achieve  
6 the following program goals and objectives:  
7 (1) Cost-effective use of ratepayer funds to stimulate deployment  
8 of eligible technologies.  
9 (2) Meeting environmental objectives, including reduction of  
10 emissions of greenhouse gases, with confirmation of emission  
11 reductions, in consultation with the State Air Resources Board.  
12 (3) In-state job growth.  
13 (4) Development of market signals to provide incentives for  
14 private investment in California.  
15 (5) Market transformation of most, if not all, eligible  
16 technologies by driving down prices and increasing performance  
17 of these technologies.  
18 (6) Energy efficiency, peakload reduction, and load  
19 management.  
20 (7) Equitable distribution of rebates to all eligible technologies  
21 and program participants, including promoting geographic  
22 distribution of rebates throughout the state.  
23 (8) Assessment of technology penetration into underserved areas  
24 of the state that are environmentally blighted and economically  
25 stressed.  
26 (f) The commission shall ensure that distributed generation  
27 resources are made available in the program for all ratepayers.  
28 (g) (1) In administering the self-generation incentive program,  
29 the commission shall provide an additional incentive of 20 percent  
30 from existing program funds for the installation of eligible  
31 distributed generation resources from a California supplier.  
32 (2) “California supplier” as used in this subdivision means any  
33 sole proprietorship, partnership, joint venture, corporation, or other  
34 business entity that manufactures eligible distributed generation  
35 resources in California and that meets either of the following  
36 criteria:  
37 (A) The owners or policymaking officers are domiciled in  
38 California and the permanent principal office, or place of business  
39 from which the supplier’s trade is directed or managed, is located  
40 in California.

1 ~~(B) A business or corporation, including those owned by, or~~  
2 ~~under common control of, a corporation, that meets all of the~~  
3 ~~following criteria continuously during the five years prior to~~  
4 ~~providing eligible distributed generation resources to a~~  
5 ~~self-generation incentive program recipient:~~

6 ~~(i) Owns and operates a manufacturing facility located in~~  
7 ~~California that builds or manufactures eligible distributed~~  
8 ~~generation resources.~~

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

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

11 ~~(3) For purposes of qualifying as a California supplier, a~~  
12 ~~distribution or sales management office or facility does not qualify~~  
13 ~~as a manufacturing facility.~~

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

17 ~~(i) For an incentive payment received on the basis that the~~  
18 ~~distributed energy project uses a renewable fuel, the commission~~  
19 ~~shall require confirmation of the physical delivery of the renewable~~  
20 ~~fuel to the project or to the California pipeline system, in an amount~~  
21 ~~equivalent to the fuel requirements of the project for the life of the~~  
22 ~~project.~~

23 ~~(j) On a schedule to be determined by the commission, the~~  
24 ~~commission shall transition the program to performance-based~~  
25 ~~incentives, so that incentive payments are earned based on the~~  
26 ~~actual electrical output of the distributed energy resource,~~  
27 ~~consistent with the requirements imposed on the California Solar~~  
28 ~~Initiative as described in Section 2851.~~

29 SEC. 2. No reimbursement is required by this act pursuant to  
30 Section 6 of Article XIII B of the California Constitution because  
31 the only costs that may be incurred by a local agency or school  
32 district will be incurred because this act creates a new crime or  
33 infraction, eliminates a crime or infraction, or changes the penalty  
34 for a crime or infraction, within the meaning of Section 17556 of  
35 the Government Code, or changes the definition of a crime within  
36 the meaning of Section 6 of Article XIII B of the California  
37 Constitution.

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