

AMENDED IN ASSEMBLY APRIL 29, 2014

AMENDED IN ASSEMBLY APRIL 24, 2014

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1624

Introduced by Assembly Member Gordon

February 10, 2014

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1624, as amended, Gordon. Self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, adopted during the energy crisis of 2000–01, required the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission adopted Decision 01-03-073, dated March 27, 2001, that established program incentives for demand-responsiveness and self-generation, *collectively known as the self-generation incentive program*, that were modified in later decisions.

Existing law authorizes the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not

more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2014. Existing law requires the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described law until January 1, 2016, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2016, to reduce ratepayer costs.

Existing law authorizes the Public Utilities Commission to allocate up to 15% of revenues received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities for clean energy and energy efficiency projects that are administered by the electrical corporation and are not otherwise funded by ~~other~~ *another* funding source.

This bill would require the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described law through and including December 31, 2021. The bill would require the Public Utilities Commission to allocate \$83 million from the above-described greenhouse gas allowance revenues for the self-generation incentive program. *The bill would require the Public Utilities Commission to authorize the expenditure of unallocated funds collected from ratepayers before authorizing the expenditure of funds allocated from the greenhouse gas allowance revenues. The bill would require the Public Utilities Commission, beginning January 1, 2018, and each year thereafter until December 31, 2021, to reduce the total amount allocated to the program by 10% annually.* The bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and to evaluate the self-generation incentive program's progress toward reducing barriers to the adoption of distributed energy resources and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability. ~~The bill would require the commission, beginning March 1, 2017, and every year thereafter for as long as the program is providing incentives, to review the level of incentives and the costs of the technologies that are receiving incentives to ensure that the program is more likely to fund those technologies that will improve the~~

~~technologies' ability to reduce greenhouse gas emission reduction costs and produce electricity at a time and in a manner that reduces the peak demand for electricity.~~

Existing law limits eligibility for incentives under the self-generation incentive program to distributed energy resources that the Public Utilities Commission, in consultation with the State Air Resources Board, determines will achieve reductions in emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.

This bill would further limit eligibility for incentives under the self-generation incentive program to distributed energy resource technologies that the Public Utilities Commission determines meet specified additional requirements. ~~The bill would require the commission to determine a capacity factor for each distributed generation system in the program and to define a capacity factor for energy storage systems in the program as the ratio of the total hours the energy storage system is used for charging and discharging throughout the year, as specified, to the total number of hours in the year.~~ *program. The bill would require the commission, beginning March 1, 2017, and every year thereafter for as long as the program is providing incentives, to review the level of incentives and the costs of the technologies that are receiving incentives to ensure that the program is more likely to fund those technologies that will meet the requirements of the program.*

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 is 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) It is the intent of the Legislature that the
 4 self-generation incentive program increase deployment of
 5 distributed generation and energy storage systems to facilitate the
 6 integration of those resources into the electrical grid, improve
 7 efficiency and reliability of the distribution and transmission
 8 system, and reduce emissions of greenhouse gases, peak demand,
 9 and ratepayer costs. It is the further intent of the Legislature that
 10 the commission, in future proceedings, provide for an equitable
 11 distribution of the costs and benefits of the program.

12 (2) (A) The commission, in consultation with the Energy
 13 Commission, may authorize the annual collection of not more than
 14 the amount authorized for the self-generation incentive program
 15 in the 2008 calendar year, through December 31, 2014.

16 (B) The commission shall require the administration of the
 17 program for distributed energy resources originally established
 18 pursuant to Chapter 329 of the Statutes of 2000 through and
 19 including December 31, 2021.

20 (C) Beginning January 1, 2015, and each year thereafter until
 21 December 31, 2021, the commission shall allocate up to
 22 eighty-three million dollars (\$83,000,000) from the funds allocated
 23 for clean energy programs pursuant to subdivision (c) of Section
 24 748.5 for the self-generation incentive program.

25 (D) Beginning January 1, 2015, the commission shall authorize
 26 the expenditure of unallocated funds collected pursuant to
 27 subparagraph (A) before authorizing the expenditure of funds
 28 allocated pursuant to subparagraph (C).

29 *(E) Beginning January 1, 2018, and each year thereafter until*
 30 *December 31, 2021, the commission shall reduce the total amount*
 31 *allocated for the program by 10 percent annually.*

32 ~~(E)~~

33 (F) On January 1, 2022, all unallocated funds allocated pursuant
 34 to subparagraph (C) shall be subject to expenditure for the purposes
 35 of subdivision (c) of Section 748.5.

36 (3) The commission shall administer solar technologies
 37 separately, pursuant to the California Solar Initiative adopted by
 38 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 2 of Division 1 of this code and Chapter 8.8 (commencing with
3 Section 25780) 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) Eligibility for the funding of any combustion-operated
11 distributed generation projects using fossil fuel is subject to all of
12 the following conditions:

13 (1) An oxides of nitrogen (NO_x) emissions rate standard of 0.07
14 pounds per megawatthour and a minimum efficiency of 60 percent,
15 or any other NO_x emissions rate and minimum efficiency standard
16 adopted by the State Air Resources Board. A minimum efficiency
17 of 60 percent shall be measured as useful energy output divided
18 by fuel input. The efficiency determination shall be based on 100
19 percent load.

20 (2) Combined heat and power units that meet the 60-percent
21 efficiency standard may take a credit to meet the applicable NO_x
22 emissions standard of 0.07 pounds per megawatthour. Credit shall
23 be at the rate of one megawatthour for each 3.4 million British
24 thermal units (Btus) of heat recovered.

25 (3) The customer receiving incentives shall adequately maintain
26 and service the combined heat and power units so that during
27 operation, the system continues to meet or exceed the efficiency
28 and emissions standards established pursuant to paragraphs (1)
29 and (2).

30 (4) Notwithstanding paragraph (1), a project that does not meet
31 the applicable NO_x emissions standard is eligible if it meets both
32 of the following requirements:

33 (A) The project operates solely on waste gas. The commission
34 shall require a customer that applies for an incentive pursuant to
35 this paragraph to provide an affidavit or other form of proof that
36 specifies that the project shall be operated solely on waste gas.
37 Incentives awarded pursuant to this paragraph shall be subject to
38 refund and shall be refunded by the recipient to the extent the
39 project does not operate on waste gas. As used in this paragraph,
40 “waste gas” means natural gas that is generated as a byproduct of

1 petroleum production operations and is not eligible for delivery
2 to the utility pipeline system.

3 (B) The air quality management district or air pollution control
4 district, in issuing a permit to operate the project, determines that
5 operation of the project will produce an onsite net air emissions
6 benefit, compared to permitted onsite emissions if the project does
7 not operate. The commission shall require the customer to secure
8 the permit prior to receiving incentives.

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

13 (e) In addition to the eligibility requirements specified in
14 subdivisions (b), (c), and (d), eligibility for incentives under the
15 program shall be limited to distributed energy resource technologies
16 that the commission determines meet all of the following
17 requirements:

18 (1) The distributed energy resource technology is capable of
19 reducing demand from the grid by offsetting some or all of the
20 customer's onsite energy load, including, but not limited to, peak
21 electric demand.

22 (2) The distributed energy resource technology is commercially
23 available.

24 (3) The distributed energy resource technology safely utilizes
25 the existing transmission and distribution system.

26 (4) The distributed energy resource technology reduces
27 emissions of greenhouse gases.

28 (5) The distributed energy resource technology improves air
29 quality by reducing criteria air pollutants.

30 (f) In administering the self-generation incentive program, the
31 commission shall ~~do both of the following:~~ *determine a capacity*
32 *factor for each distributed generation system in the program.*

33 ~~(1) Determine a capacity factor for each distributed generation~~
34 ~~system in the program.~~

35 ~~(2) Define a capacity factor for energy storage systems in the~~
36 ~~program as the ratio of the total hours the energy storage system~~
37 ~~is used for charging and discharging throughout the year, including~~
38 ~~the hours when the energy storage system is available for capacity~~
39 ~~applications even if not actively charging or discharging, to the~~
40 ~~total number of hours in the year.~~

1 (g) In administering the self-generation incentive program, the
2 commission may adjust the amount of rebates and evaluate other
3 public policy interests, including, but not limited to, ratepayers,
4 energy efficiency, peak load reduction, load management, and
5 environmental interests.

6 (h) The commission shall ensure that distributed generation
7 resources are made available in the program for all ratepayers.

8 (i) (1) In administering the self-generation incentive program,
9 the commission shall provide an additional incentive of 20 percent
10 from existing program funds for the installation of eligible
11 distributed generation resources from a California supplier.

12 (2) “California supplier” as used in this subdivision means any
13 sole proprietorship, partnership, joint venture, corporation, or other
14 business entity that manufactures eligible distributed generation
15 resources in California and that meets either of the following
16 criteria:

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

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

26 (i) Owns and operates a manufacturing facility located in
27 California that builds or manufactures eligible distributed
28 generation resources.

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

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

31 (3) For purposes of qualifying as a California supplier, a
32 distribution or sales management office or facility does not qualify
33 as a manufacturing facility.

34 (j) The costs of the program adopted and implemented pursuant
35 to this section shall not be recovered from customers participating
36 in the California Alternate Rates for Energy (CARE) program.

37 (k) (1) The commission shall evaluate the overall success and
38 impact of the self-generation incentive program based on the
39 following performance measures:

40 (A) The amount of reductions of emissions of greenhouse gases.

1 (B) The amount of reductions of emissions of criteria air
2 pollutants measured in terms of avoided emissions and reductions
3 of criteria air pollutants represented by emissions credits secured
4 for project approval.

5 (C) The amount of energy reductions measured in energy value.

6 (D) The amount of reductions of aggregate noncoincident
7 customer peak demand.

8 (E) The ratio of the electricity generated by distributed energy
9 resource projects receiving incentives from the program to the
10 electricity capable of being produced by those distributed energy
11 resource projects, commonly known as a capacity factor.

12 (F) The value to the electrical transmission and distribution
13 system measured in avoided costs of transmission and distribution
14 upgrades and replacement.

15 (G) The ability to improve onsite electricity reliability as
16 compared to onsite electricity reliability before the self-generation
17 incentive program technology was placed in service.

18 (2) In addition to evaluating the program based on the
19 performance measures specified in paragraph (1), the commission
20 shall also evaluate the program's effectiveness in providing
21 frequency regulation, voltage support, demand reduction, peak
22 shaving, ramp rate control, and other wholesale ancillary and grid
23 reliability services.

24 (l) To ensure that the self-generation incentive program is more
25 likely to fund those technologies that ~~will improve in their ability~~
26 ~~to reduce greenhouse gas emission reduction costs and produce~~
27 ~~electricity at a time and in a manner that reduces the peak demand~~
28 ~~for electricity, meet the requirements of this section, beginning in~~
29 March 1, 2017, and each year thereafter, as long as the ~~SGIP~~
30 ~~self-generation incentive~~ program is providing incentives, the
31 commission shall review the level of incentives and the cost of the
32 technologies that are receiving incentives and (1) allow incentive
33 eligibility for new ~~technologies~~ or *technologies*, (2) remove
34 incentive eligibility or ~~reduce incentives~~ for technologies that have
35 received incentives but have not ~~reduced greenhouse gas emission~~
36 ~~reduction costs or provided a ratepayer benefit. met the~~
37 *requirements of this section, or (3) to remove incentive eligibility*
38 *or reduce incentives for technologies that have received incentives*
39 *and have reduced the emissions of greenhouse gases, but have not*
40 *otherwise met other requirements of this section.*

1 SEC. 2. No reimbursement is required by this act pursuant to
2 Section 6 of Article XIII B of the California Constitution because
3 the only costs that may be incurred by a local agency or school
4 district will be incurred because this act creates a new crime or
5 infraction, eliminates a crime or infraction, or changes the penalty
6 for a crime or infraction, within the meaning of Section 17556 of
7 the Government Code, or changes the definition of a crime within
8 the meaning of Section 6 of Article XIII B of the California
9 Constitution.

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