

AMENDED IN ASSEMBLY MAY 28, 2014

AMENDED IN ASSEMBLY MAY 7, 2014

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**

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**Introduced by Assembly Member Gordon ~~Members Gordon and  
Skinner~~**

February 10, 2014

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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 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.

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 energy resource technology in the program. The bill would require the commission 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.

This 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 the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability.

This bill would require the Public Utilities Commission, on or before July 1, 2015, to update the factor for avoided greenhouse gas emissions based on certain information. The bill would require the Public Utilities Commission, in allocating funds between eligible technologies, to consider the relative amount and cost of certain factors. The bill would require recipients of the self-generation incentive program funds to provide to the Public Utilities Commission and the State Air Resources Board relevant data and would subject them to inspection to verify equipment operation and performance.

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

35 (3) The commission shall administer solar technologies  
36 separately, pursuant to the California Solar Initiative adopted by  
37 the commission in Decisions 05-12-044 and 06-01-024, as modified  
38 by Article 1 (commencing with Section 2851) of Chapter 9 of Part

1 2 of Division 1 of this code and Chapter 8.8 (commencing with  
2 Section 25780) of Division 15 of the Public Resources Code.

3 (b) (1) Eligibility for incentives under the *self-generation*  
4 *incentive* program shall be limited to distributed energy resources  
5 that the commission, in consultation with the State Air Resources  
6 Board, determines will achieve reductions in emissions of  
7 greenhouse gases pursuant to the California Global Warming  
8 Solutions Act of 2006 (Division 25.5 (commencing with Section  
9 38500) of the Health and Safety Code).

10 (2) On or before July 1, 2015, the commission shall update the  
11 factor for avoided greenhouse gas emissions based on the most  
12 recent data available to the State Air Resources Board for  
13 greenhouse gas emissions from electricity sales in the  
14 self-generation incentive program administrators' service areas as  
15 well as current estimates of greenhouse gas emissions over the  
16 useful life of the distributed energy resource, including  
17 consideration of the effects of the California Renewables Portfolio  
18 Standard.

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

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

29 (2) Combined heat and power units that meet the 60-percent  
30 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
31 emissions standard of 0.07 pounds per megawatthour. Credit shall  
32 be at the rate of one megawatthour for each 3,400,000 British  
33 thermal units (Btus) of heat recovered.

34 (3) The customer receiving incentives shall adequately maintain  
35 and service the combined heat and power units so that, during  
36 operation, the system continues to meet or exceed the efficiency  
37 and emissions standards established pursuant to paragraphs (1)  
38 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) Eligibility for incentives under the program shall be limited  
25 to distributed energy resource technologies that the commission  
26 determines meet all of the following requirements:

27 (1) The distributed energy resource technology is capable of  
28 reducing demand from the grid by offsetting some or all of the  
29 customer’s onsite energy load, including, but not limited to, peak  
30 electric demand.

31 (2) The distributed energy resource technology is commercially  
32 available.

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

35 (4) The distributed energy resource technology improves air  
36 quality by reducing criteria air pollutants.

37 (f) Recipients of the self-generation incentive program funds  
38 shall provide relevant data to the commission and the State Air  
39 Resources Board, upon request, and shall be subject to onsite  
40 inspection to verify equipment operation and performance,

1 including capacity, thermal output, and usage to verify criteria air  
2 pollutant and greenhouse gas emissions performance.

3 (g) In administering the self-generation incentive program, the  
4 commission shall determine a capacity factor for each distributed  
5 energy resource technology in the program.

6 (h) (1) In administering the self-generation incentive program,  
7 the commission may adjust the amount of rebates and evaluate  
8 other public policy interests, including, but not limited to,  
9 ratepayers, energy efficiency, peak load reduction, load  
10 management, and environmental interests.

11 (2) The commission shall consider the relative amount and the  
12 cost of greenhouse gas emission reductions, peak demand  
13 reductions, system reliability benefits, and other measurable factors  
14 when allocating program funds between eligible technologies.

15 (i) The commission shall ensure that distributed generation  
16 resources are made available in the program for all ratepayers.

17 (j) In administering the self-generation incentive program, the  
18 commission shall provide an additional incentive of 20 percent  
19 from existing program funds for the installation of eligible  
20 distributed generation resources manufactured in California.

21 (k) The costs of the program adopted and implemented pursuant  
22 to this section shall not be recovered from customers participating  
23 in the California Alternate Rates for Energy (CARE) program.

24 (l) (1) The commission shall evaluate the overall success and  
25 impact of the self-generation incentive program based on the  
26 following performance measures:

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

28 (B) The amount of reductions of emissions of criteria air  
29 pollutants measured in terms of avoided emissions and reductions  
30 of criteria air pollutants represented by emissions credits secured  
31 for project approval.

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

33 (D) The amount of reductions of aggregate noncoincident  
34 customer peak demand.

35 (E) The ratio of the electricity generated by distributed energy  
36 resource projects receiving incentives from the program to the  
37 electricity capable of being produced by those distributed energy  
38 resource projects, commonly known as a capacity factor.

1 (F) The value to the electrical transmission and distribution  
2 system measured in avoided costs of transmission and distribution  
3 upgrades and replacement.

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

7 (2) In addition to evaluating the program based on the  
8 performance measures specified in paragraph (1), the commission  
9 shall also evaluate the program's effectiveness in providing  
10 frequency regulation, voltage support, demand reduction, peak  
11 shaving, ramp rate control, and other wholesale ancillary and grid  
12 reliability services.

13 (m) To ensure that the self-generation incentive program is more  
14 likely to fund those technologies that meet the requirements of this  
15 section, the commission shall review annually the level of  
16 incentives and the cost of the technologies that are receiving  
17 incentives and (1) allow incentive eligibility for new technologies,  
18 (2) remove incentive eligibility for technologies that have received  
19 incentives but have not met the requirements of this section, or (3)  
20 ~~to~~ remove incentive eligibility or reduce incentives for technologies  
21 that have received incentives and have reduced the emissions of  
22 greenhouse gases, but have not otherwise met the requirements of  
23 this section.

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