

AMENDED IN ASSEMBLY APRIL 6, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 577**

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**Introduced by Assembly Member Bonilla**

February 24, 2015

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~~An act to amend Section 399.20 of the Public Utilities Code, relating to public utilities. An act to add Section 39718.5 to the Health and Safety Code, and to add Chapter 7.8 (commencing with Section 25680) to Division 15 of the Public Resources Code, relating to biomethane.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 577, as amended, Bonilla. ~~Public utilities: biogas. Biomethane:~~ *grant program.*

*The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation.*

*This bill would, upon appropriation, require the State Air Resources Board to allocate an unspecified percentage of the moneys in the fund to the State Energy Resources Conservation and Development Commission for the implementation of a biomethane collection and purification grant program. The bill would require the commission to*

*develop and implement the grant program to award moneys for projects that build or develop collection and purification technology, infrastructure, and projects that upgrade existing biomethane facilities to meet certain requirements.*

~~Under the Public Utilities Act, electrical corporations are required to file with the Public Utilities Commission a standard tariff for electricity purchased from certain electric generation facilities. The act requires the commission to direct the electrical corporations to collectively purchase 250 megawatts of cumulative rated generating capacity from developers of bioenergy projects. The act requires the commission to encourage electrical and gas corporations to develop and offer programs and services to facilitate development of in-state biogas for a broad range of purposes.~~

~~This bill would limit that range of purposes to 3 specified purposes.~~

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

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

- 1     *SECTION 1. The Legislature finds and declares all of the*
- 2     *following:*
- 3     *(a) California imports 91 percent of its natural gas, which is*
- 4     *responsible for 25 percent of all greenhouse gas (GHG) emissions.*
- 5     *This costs California billions of dollars in lost revenues and jobs.*
- 6     *(b) California made a commitment to address climate change*
- 7     *with the California Global Warming Solutions Act of 2006*
- 8     *(Division 25.5 (commencing with Section 38500) of the Health*
- 9     *and Safety Code). For California to meet its GHG reductions*
- 10    *goals, the GHG emissions from the natural gas sector must be*
- 11    *reduced.*
- 12    *(c) Biomethane is gas generated from organic waste through*
- 13    *anaerobic digestion, gasification, pyrolysis, or other conversion*
- 14    *technology that converts organic matter to gas. Biomethane may*
- 15    *be produced from sources such as agricultural waste, forest waste,*
- 16    *landfill gas, wastewater treatment byproducts, and diverted organic*
- 17    *waste.*
- 18    *(d) Biomethane provides a more sustainable and cleaner*
- 19    *alternative to natural gas. If 10 percent of California’s natural*
- 20    *gas use were to be replaced with biomethane, GHG emissions*

1 would be reduced by tens of millions of metric tons of carbon  
2 dioxide equivalent every year.

3 (e) Almost 300 billion cubic feet of biomethane could be  
4 produced in California each year. This biomethane could power  
5 2 to 3 million homes or generate 2.4 billion gallons of clean,  
6 ultralow carbon transportation fuels.

7 (f) Investing in biomethane would create cobenefits, such as  
8 renewable power available 24 hours a day, seven days a week,  
9 reduction of fossil fuel use, reduction of air and water pollution,  
10 and new jobs.

11 (g) Biomethane could be used for things such as transportation  
12 fuel or injected into the natural gas pipeline for other uses. The  
13 most appropriate use of biomethane varies depending on the  
14 source, proximity to existing natural gas pipeline injection points  
15 or large vehicle fleets, and the circumstances of existing facilities.

16 (h) The biomethane market has been slow to develop in  
17 California because the collection and purification of biomethane  
18 can be costly. Investing in biomethane purification equipment and  
19 infrastructure is necessary for companies to meet existing  
20 biomethane safety and purity standards. Alternative funding for  
21 compliance with standards established pursuant to Section 25421  
22 of the Health and Safety Code must be found so that biomethane  
23 can be transmitted via California's vast natural gas pipeline  
24 infrastructure.

25 (i) Biomethane is poised to play a key role in future natural gas  
26 and hydrogen fuel markets as a blendstock that can significantly  
27 reduce the carbon footprint of these two fossil-based alternative  
28 fuels.

29 SEC. 2. Section 39718.5 is added to the Health and Safety  
30 Code, to read:

31 39718.5. Upon appropriation by the Legislature, the state  
32 board shall allocate \_\_\_\_ percent of the moneys from the fund to  
33 the State Energy Resources Conservation and Development  
34 Commission for the purposes of Chapter 7.8 (commencing with  
35 Section 25680) of Division 15 of the Public Resources Code.

36 SEC. 3. Chapter 7.8 (commencing with Section 25680) is added  
37 to Division 15 of the Public Resources Code, to read:

1  
2 *CHAPTER 7.8. BIOMETHANE COLLECTION AND PURIFICATION*  
3 *GRANT PROGRAM*

4  
5 25680. (a) *The commission shall develop and implement a*  
6 *grant program to award moneys appropriated pursuant to Section*  
7 *39718.5 of the Health and Safety Code for projects that build or*  
8 *develop collection and purification technology, infrastructure, and*  
9 *projects that upgrade existing biomethane facilities to meet the*  
10 *requirements established pursuant to Section 25421 of the Health*  
11 *and Safety Code.*

12 (b) *In granting an award, the commission shall consider both*  
13 *of the following:*

14 (1) *Opportunities to colocate biomethane producers with vehicle*  
15 *fleets to generate biomethane and convert it to transportation fuel*  
16 *in the same location.*

17 (2) *Location of biomethane sources and their proximity to*  
18 *natural gas pipeline injection sites.*

19 (c) *In prioritizing projects eligible for grants pursuant to this*  
20 *section, the commission shall maximize the reduction of greenhouse*  
21 *gas emissions achieved by a project for each dollar awarded.*

22 ~~SECTION 1. Section 399.20 of the Public Utilities Code is~~  
23 ~~amended to read:~~

24 ~~399.20. (a) It is the policy of this state and the intent of the~~  
25 ~~Legislature to encourage electrical generation from eligible~~  
26 ~~renewable energy resources.~~

27 ~~(b) As used in this section, “electric generation facility” means~~  
28 ~~an electric generation facility located within the service territory~~  
29 ~~of, and developed to sell electricity to, an electrical corporation~~  
30 ~~that meets all of the following criteria:~~

31 ~~(1) Has an effective capacity of not more than three megawatts.~~

32 ~~(2) Is interconnected and operates in parallel with the electrical~~  
33 ~~transmission and distribution grid.~~

34 ~~(3) Is strategically located and interconnected to the electrical~~  
35 ~~transmission and distribution grid in a manner that optimizes the~~  
36 ~~deliverability of electricity generated at the facility to load centers.~~

37 ~~(4) Is an eligible renewable energy resource.~~

38 ~~(e) Every electrical corporation shall file with the commission~~  
39 ~~a standard tariff for electricity purchased from an electric~~  
40 ~~generation facility. The commission may modify or adjust the~~

1 requirements of this section for any electrical corporation with less  
2 than 100,000 service connections, as individual circumstances  
3 merit.

4 ~~(d) (1) The tariff shall provide for payment for every~~  
5 ~~kilowatthour of electricity purchased from an electric generation~~  
6 ~~facility for a period of 10, 15, or 20 years, as authorized by the~~  
7 ~~commission. The payment shall be the market price determined~~  
8 ~~by the commission pursuant to paragraph (2) and shall include all~~  
9 ~~current and anticipated environmental compliance costs, including,~~  
10 ~~but not limited to, mitigation of emissions of greenhouse gases~~  
11 ~~and air pollution offsets associated with the operation of new~~  
12 ~~generating facilities in the local air pollution control or air quality~~  
13 ~~management district where the electric generation facility is~~  
14 ~~located.~~

15 ~~(2) The commission shall establish a methodology to determine~~  
16 ~~the market price of electricity for terms corresponding to the length~~  
17 ~~of contracts with an electric generation facility, in consideration~~  
18 ~~of the following:~~

19 ~~(A) The long-term market price of electricity for fixed price~~  
20 ~~contracts, determined pursuant to an electrical corporation's general~~  
21 ~~procurement activities as authorized by the commission.~~

22 ~~(B) The long-term ownership, operating, and fixed-price fuel~~  
23 ~~costs associated with fixed-price electricity from new generating~~  
24 ~~facilities.~~

25 ~~(C) The value of different electricity products including~~  
26 ~~baseload, peaking, and as-available electricity.~~

27 ~~(3) The commission may adjust the payment rate to reflect the~~  
28 ~~value of every kilowatthour of electricity generated on a~~  
29 ~~time-of-delivery basis.~~

30 ~~(4) The commission shall ensure, with respect to rates and~~  
31 ~~charges, that ratepayers that do not receive service pursuant to the~~  
32 ~~tariff are indifferent to whether a ratepayer with an electric~~  
33 ~~generation facility receives service pursuant to the tariff.~~

34 ~~(e) An electrical corporation shall provide expedited~~  
35 ~~interconnection procedures to an electric generation facility located~~  
36 ~~on a distribution circuit that generates electricity at a time and in~~  
37 ~~a manner so as to offset the peak demand on the distribution circuit,~~  
38 ~~if the electrical corporation determines that the electric generation~~  
39 ~~facility will not adversely affect the distribution grid. The~~  
40 ~~commission shall consider and may establish a value for an electric~~

1 generation facility located on a distribution circuit that generates  
2 electricity at a time and in a manner so as to offset the peak demand  
3 on the distribution circuit.

4 (f) (1) An electrical corporation shall make the tariff available  
5 to the owner or operator of an electric generation facility within  
6 the service territory of the electrical corporation, upon request, on  
7 a first-come-first-served basis, until the electrical corporation meets  
8 its proportionate share of a statewide cap of 750 megawatts  
9 cumulative rated generation capacity served under this section and  
10 Section 399.32. The proportionate share shall be calculated based  
11 on the ratio of the electrical corporation's peak demand compared  
12 to the total statewide peak demand.

13 (2) By June 1, 2013, the commission shall, in addition to the  
14 750 megawatts identified in paragraph (1), direct the electrical  
15 corporations to collectively procure at least 250 megawatts of  
16 cumulative rated generating capacity from developers of bioenergy  
17 projects that commence operation on or after June 1, 2013. The  
18 commission shall, for each electrical corporation, allocate shares  
19 of the additional 250 megawatts based on the ratio of each electrical  
20 corporation's peak demand compared to the total statewide peak  
21 demand. In implementing this paragraph, the commission shall do  
22 all of the following:

23 (A) Allocate the 250 megawatts identified in this paragraph  
24 among the electrical corporations based on the following  
25 categories:

26 (i) For biogas from wastewater treatment, municipal organic  
27 waste diversion, food processing, and codigestion, 110 megawatts.

28 (ii) For dairy and other agricultural bioenergy, 90 megawatts.

29 (iii) For bioenergy using byproducts of sustainable forest  
30 management, 50 megawatts. Allocations under this category shall  
31 be determined based on the proportion of bioenergy that sustainable  
32 forest management providers derive from sustainable forest  
33 management in fire threat treatment areas, as designated by the  
34 Department of Forestry and Fire Protection.

35 (B) Direct the electrical corporations to develop standard  
36 contract terms and conditions that reflect the operational  
37 characteristics of the projects, and to provide a streamlined  
38 contracting process.

39 (C) Coordinate, to the maximum extent feasible, any incentive  
40 or subsidy programs for bioenergy with the agencies listed in

1 subparagraph (A) of paragraph (3) in order to provide maximum  
2 benefits to ratepayers and to ensure that incentives are used to  
3 reduce contract prices.

4 ~~(D) The commission shall encourage gas and electrical~~  
5 ~~corporations to develop and offer programs and services to facilitate~~  
6 ~~development of in-state biogas for purposes of encouraging the~~  
7 ~~diversion of landfill waste, the development of ultralow carbon~~  
8 ~~transportation fuel, and the generation of electricity through~~  
9 ~~bioenergy resources.~~

10 ~~(3) (A) The commission, in consultation with the State Energy~~  
11 ~~Resources Conservation and Development Commission, the State~~  
12 ~~Air Resources Board, the Department of Forestry and Fire~~  
13 ~~Protection, the Department of Food and Agriculture, and the~~  
14 ~~Department of Resources Recycling and Recovery, may review~~  
15 ~~the allocations of the 250 additional megawatts identified in~~  
16 ~~paragraph (2) to determine if those allocations are appropriate.~~

17 ~~(B) If the commission finds that the allocations of the 250~~  
18 ~~additional megawatts identified in paragraph (2) are not~~  
19 ~~appropriate, the commission may reallocate the 250 megawatts~~  
20 ~~among the categories established in subparagraph (A) of paragraph~~  
21 ~~(2).~~

22 ~~(4) For the purposes of this subdivision, “bioenergy” means~~  
23 ~~biogas and biomass.~~

24 ~~(g) The electrical corporation may make the terms of the tariff~~  
25 ~~available to owners and operators of an electric generation facility~~  
26 ~~in the form of a standard contract subject to commission approval.~~

27 ~~(h) Every kilowatthour of electricity purchased from an electric~~  
28 ~~generation facility shall count toward meeting the electrical~~  
29 ~~corporation’s renewables portfolio standard annual procurement~~  
30 ~~targets for purposes of paragraph (1) of subdivision (b) of Section~~  
31 ~~399.15.~~

32 ~~(i) The physical generating capacity of an electric generation~~  
33 ~~facility shall count toward the electrical corporation’s resource~~  
34 ~~adequacy requirement for purposes of Section 380.~~

35 ~~(j) (1) The commission shall establish performance standards~~  
36 ~~for any electric generation facility that has a capacity greater than~~  
37 ~~one megawatt to ensure that those facilities are constructed,~~  
38 ~~operated, and maintained to generate the expected annual net~~  
39 ~~production of electricity and do not impact system reliability.~~

1     ~~(2) The commission may reduce the three megawatt capacity~~  
2 ~~limitation of paragraph (1) of subdivision (b) if the commission~~  
3 ~~finds that a reduced capacity limitation is necessary to maintain~~  
4 ~~system reliability within that electrical corporation's service~~  
5 ~~territory.~~

6     ~~(k) (1) Any owner or operator of an electric generation facility~~  
7 ~~that received ratepayer-funded incentives in accordance with~~  
8 ~~Section 379.6 of this code, or with Section 25782 of the Public~~  
9 ~~Resources Code, and participated in a net metering program~~  
10 ~~pursuant to Sections 2827 and 2827.10 of this code prior to January~~  
11 ~~1, 2010, shall be eligible for a tariff or standard contract filed by~~  
12 ~~an electrical corporation pursuant to this section.~~

13     ~~(2) In establishing the tariffs or standard contracts pursuant to~~  
14 ~~this section, the commission shall consider ratepayer-funded~~  
15 ~~incentive payments previously received by the generation facility~~  
16 ~~pursuant to Section 379.6 of this code or Section 25782 of the~~  
17 ~~Public Resources Code. The commission shall require~~  
18 ~~reimbursement of any funds received from these incentive~~  
19 ~~programs to an electric generation facility, in order for that facility~~  
20 ~~to be eligible for a tariff or standard contract filed by an electrical~~  
21 ~~corporation pursuant to this section, unless the commission~~  
22 ~~determines ratepayers have received sufficient value from the~~  
23 ~~incentives provided to the facility based on how long the project~~  
24 ~~has been in operation and the amount of renewable electricity~~  
25 ~~previously generated by the facility.~~

26     ~~(3) A customer that receives service under a tariff or contract~~  
27 ~~approved by the commission pursuant to this section is not eligible~~  
28 ~~to participate in any net metering program.~~

29     ~~(l) An owner or operator of an electric generation facility~~  
30 ~~electing to receive service under a tariff or contract approved by~~  
31 ~~the commission shall continue to receive service under the tariff~~  
32 ~~or contract until either of the following occurs:~~

33     ~~(1) The owner or operator of an electric generation facility no~~  
34 ~~longer meets the eligibility requirements for receiving service~~  
35 ~~pursuant to the tariff or contract.~~

36     ~~(2) The period of service established by the commission pursuant~~  
37 ~~to subdivision (d) is completed.~~

38     ~~(m) Within 10 days of receipt of a request for a tariff pursuant~~  
39 ~~to this section from an owner or operator of an electric generation~~  
40 ~~facility, the electrical corporation that receives the request shall~~

1 post a copy of the request on its Internet Web site. The information  
2 posted on the Internet Web site shall include the name of the city  
3 in which the facility is located, but information that is proprietary  
4 and confidential, including, but not limited to, address information  
5 beyond the name of the city in which the facility is located, shall  
6 be redacted.

7 (n) ~~An electrical corporation may deny a tariff request pursuant  
8 to this section if the electrical corporation makes any of the  
9 following findings:~~

10 (1) ~~The electric generation facility does not meet the  
11 requirements of this section.~~

12 (2) ~~The transmission or distribution grid that would serve as the  
13 point of interconnection is inadequate.~~

14 (3) ~~The electric generation facility does not meet all applicable  
15 state and local laws and building standards and utility  
16 interconnection requirements.~~

17 (4) ~~The aggregate of all electric generating facilities on a  
18 distribution circuit would adversely impact utility operation and  
19 load restoration efforts of the distribution system.~~

20 (o) ~~Upon receiving a notice of denial from an electrical  
21 corporation, the owner or operator of the electric generation facility  
22 denied a tariff pursuant to this section shall have the right to appeal  
23 that decision to the commission.~~

24 (p) ~~In order to ensure the safety and reliability of electric  
25 generation facilities, the owner of an electric generation facility  
26 receiving a tariff pursuant to this section shall provide an inspection  
27 and maintenance report to the electrical corporation at least once  
28 every other year. The inspection and maintenance report shall be  
29 prepared at the owner's or operator's expense by a  
30 California-licensed contractor who is not the owner or operator of  
31 the electric generation facility. A California-licensed electrician  
32 shall perform the inspection of the electrical portion of the  
33 generation facility.~~

34 (q) ~~The contract between the electric generation facility  
35 receiving the tariff and the electrical corporation shall contain  
36 provisions that ensure that construction of the electric generating  
37 facility complies with all applicable state and local laws and  
38 building standards, and utility interconnection requirements.~~

39 (r) (1) ~~All construction and installation of facilities of the  
40 electrical corporation, including at the point of the output meter~~

1 or at the transmission or distribution grid, shall be performed only  
2 by that electrical corporation.  
3 ~~(2) All interconnection facilities installed on the electrical~~  
4 ~~corporation's side of the transfer point for electricity between the~~  
5 ~~electrical corporation and the electrical conductors of the electric~~  
6 ~~generation facility shall be owned, operated, and maintained only~~  
7 ~~by the electrical corporation. The ownership, installation, operation,~~  
8 ~~reading, and testing of revenue metering equipment for electric~~  
9 ~~generating facilities shall only be performed by the electrical~~  
10 ~~corporation.~~