

AMENDED IN ASSEMBLY APRIL 6, 2015
AMENDED IN ASSEMBLY MARCH 25, 2015
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 674

Introduced by Assembly Member Mullin

February 25, 2015

An act to add Section 354 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 674, as amended, Mullin. Electricity: distributed generation.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to require each electrical corporation under the operational control of the Independent System Operator as of January 1, 2001, to modify tariffs so that all customers that install new distributed energy resources, as defined, in accordance with specified criteria are served under rates, rules, and requirements identical to those of a customer within the same rate schedule that does not use distributed energy resources, and to withdraw any provisions in otherwise applicable tariffs that activate other tariffs, rates, or rules if a customer uses distributed energy resources. Existing law provides, notwithstanding these requirements, that a customer that installs new distributed energy resources not be exempted from (1) reasonable interconnection charges, (2) charges imposed pursuant to the Reliable Electric Service Investment Act, and

(3) charges imposed to repay the Department of Water Resources for electricity procurement expenses incurred in response to the electricity crisis of 2000–01. Existing law requires the commission, in establishing the rates applicable to customers that install new distributed energy resources, to create a firewall that segregates distribution cost recovery so that any net costs, taking into account the actual costs and benefits of distributed energy resources, proportional to each customer class, as determined by the commission, resulting from the tariff modifications granted to members of each customer class may be recovered only from that class.

This bill would, to the extent authorized by federal law, require the commission, by July 1, 2016, to do both of the following for those electrical corporation customers that have installed clean distributed energy resources, as defined, ~~before~~ *after* January 1, 2016: (1) require each electrical corporation to collect all applicable nonbypassable charges fixed, implemented, administered, or imposed by the commission based only on the actual metered consumption of electricity delivered to the customer through the electrical corporation's transmission or distribution system, which charges are to be at the same rate per kilowatt-hour as paid by other customers that do not employ a clean distributed energy resource, and (2) calculate a reservation capacity for standby service, if applicable, based on the capacity needed by an electrical corporation to serve a customer's electrical demand during an outage of the clean distributed energy resource providing electric service for that customer. The bill would require the State Energy Resources Conservation and Development Commission to report to the Legislature and the relevant policy committees of the Legislature on the impact of its provisions on specified issues by July 1, 2021.

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 provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new 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. The Legislature finds and declares all of the
2 following:
- 3 (a) Clean onsite generation of electricity yields multiple benefits,
4 including increased electrical reliability and efficiency, reduced
5 emissions of greenhouse gases and oxides of nitrogen (NO_x), and
6 electrical grid resiliency.
- 7 (b) In 2011, Governor Jerry Brown released a Clean Energy
8 Jobs Plan that called for 12,000 megawatts of localized electrical
9 generation, also known as distributed generation, to maximize
10 energy efficiency and minimize environmental impacts, while
11 increasing reliability and security.
- 12 (c) Increased deployment of clean onsite electrical generation
13 reduces the need for generation that emits higher levels of
14 greenhouse gases that contribute to climate change and higher
15 levels of NO_x that contribute to smog formation.
- 16 (d) Several types of clean onsite electrical generation
17 technologies currently exist and others are being developed, with
18 many being developed and manufactured in California.
- 19 (e) Residential, commercial, and industrial customers are willing
20 to invest their own capital to install clean onsite generation
21 technologies.
- 22 (f) Nonbypassable charges create an economic barrier to the
23 installation of clean onsite electrical generation and, as a result,
24 prevent cost savings for all ratepayers and environmental benefits
25 for all Californians.
- 26 (g) Among states with similarly high energy prices and
27 environmental goals, California is the only state that allows
28 electrical corporations to apply nonbypassable charges to electricity
29 produced and consumed onsite.
- 30 (h) Ratepayers would see a net cost savings from increased
31 deployment of onsite electricity generation at customer sites that
32 pay nonbypassable charges only on their electricity purchases from
33 the grid. This ratepayer savings arises because onsite electricity
34 generation reduces demand on the electrical grid, which reduces

1 market electricity prices, and avoids transmission and distribution
2 costs and energy losses.

3 (i) Other cost-saving benefits to all ratepayers from clean onsite
4 electrical generation include reductions in future generating
5 capacity requirements, reductions in electrical grid congestion
6 prices, reductions in emissions of greenhouse gases and criteria
7 air pollutants, and increases in electrical grid resiliency and
8 security.

9 SEC. 2. Section 354 is added to the Public Utilities Code, to
10 read:

11 354. (a) As used in this section, “clean distributed energy
12 resource” means a facility that is located on the customer’s
13 premises and generates electricity, or electricity and useful heat,
14 where the electricity generated is used for a purpose described in
15 paragraph (1) or (2) of subdivision (b) of Section 218, and that
16 meets either of the following requirements:

17 (1) It meets all of the following criteria:

18 (A) Produces emission of carbon dioxide (CO₂) at a rate per
19 megawatthour, accounting for waste heat recovery, where
20 applicable, and savings on transmission and distribution losses,
21 that is less than the emissions of CO₂ from the marginal generating
22 unit dispatched to meet the demand on the electrical grid that is
23 avoided by the electricity generated by the clean distributed energy
24 resource, as determined by the Energy Commission as of January
25 30, 2016.

26 (B) Has an oxide of nitrogen (NO_x) emissions rate, including
27 credit for waste heat recovery, when applicable, that is less than
28 or equal to 0.07 pounds per megawatthour, or a lower NO_x
29 emissions rate that the State Air Resources Board determines
30 reflects the best performance achieved in practice by existing
31 electrical generation technologies pursuant to Section 41514.9 of
32 the Health and Safety Code.

33 (C) Has a nameplate rated generation capacity of 20 megawatts
34 or less.

35 (D) Is sized to meet the electrical demand of, or use the available
36 waste heat of, the customer that will be served by the generating
37 facility.

38 (2) It is an “eligible renewable energy resource” pursuant to the
39 California Renewables Portfolio Standard Program (Article 16
40 (commencing with Section 399.11)), has a nameplate rated

1 generation capacity of 20 megawatts or less, is sized to meet the
2 electrical demand of the customer that will be served by the
3 generating facility, and will not otherwise be addressed in the
4 commission's implementation of Section 769 or 2827.1.

5 (b) To the extent authorized by federal law, by July 1, 2016, the
6 commission shall require each electrical corporation to do the
7 following for customers served by clean distributed energy
8 resources installed ~~before~~ *after* January 1, 2016:

9 (1) Collect all applicable nonbypassable charges fixed,
10 implemented, administered, or imposed by the commission based
11 only on the actual metered consumption of electricity delivered to
12 the customer through the electrical corporation's transmission or
13 distribution system. All charges shall be at the same rate per
14 kilowatthour as paid by other customers that do not employ a clean
15 distributed energy resource under the electrical corporation's
16 applicable rate schedule.

17 (2) (A) Calculate a reservation capacity for standby service, if
18 applicable, based on the capacity needed by an electrical
19 corporation to serve a customer's electrical demand during an
20 outage of the clean distributed energy resource providing electric
21 service for that customer.

22 (B) Initial reservation capacity shall be established by the
23 customer for a minimum of 12 months based on the clean
24 distributed energy resource generation technology's historical
25 operation, the number, size, and outage diversity of the clean
26 distributed energy resource, and the annual average reduction of
27 customer load that could occur during an outage.

28 (C) If after the initial 12-month period, the electrical corporation
29 reasonably determines that the reservation capacity does not reflect
30 the customer's actual standby demand, averaged over the previous
31 12 months, the electrical corporation shall modify the reservation
32 capacity once every 12 months to reflect the customer's actual
33 average annual reservation capacity based on the same criteria
34 used to establish the initial reservation capacity. Calculation of
35 actual average annual reservation capacity shall exclude the
36 customer's electrical demand served by the electrical corporation
37 within 24 hours following an outage of the clean distributed energy
38 resource resulting from any event on the electrical corporation's
39 transmission or distribution grid that is outside of the customer's
40 control that requires the customer to reduce onsite generation.

- 1 (c) (1) By July 1, 2021, the Energy Commission, in consultation
2 with the commission, shall report on the impacts of this section to
3 the Legislature and the relevant policy committees of the
4 Legislature in regard to all of the following:
- 5 (A) Avoided transmission and distribution costs.
 - 6 (B) Avoided energy losses.
 - 7 (C) Wholesale electricity market prices.
 - 8 (D) Electricity costs to ratepayers.
 - 9 (E) Air quality.
 - 10 (F) Emissions of greenhouse gases.
 - 11 (G) Job creation.
 - 12 (H) Energy reliability.
 - 13 (I) The extent to which the incentives provided pursuant to this
14 section contribute to achieving the state's distributed generation
15 and combined heat and power goals.
- 16 (2) The report to be submitted to the Legislature pursuant to
17 this subdivision shall be submitted in compliance with Section
18 9795 of the Government Code.
- 19 (3) The requirement for submitting a report pursuant to this
20 subdivision is inoperative on July 1, 2025, pursuant to Section
21 10231.5 of the Government Code.
- 22 SEC. 3. No reimbursement is required by this act pursuant to
23 Section 6 of Article XIII B of the California Constitution because
24 the only costs that may be incurred by a local agency or school
25 district will be incurred because this act creates a new crime or
26 infraction, eliminates a crime or infraction, or changes the penalty
27 for a crime or infraction, within the meaning of Section 17556 of
28 the Government Code, or changes the definition of a crime within
29 the meaning of Section 6 of Article XIII B of the California
30 Constitution.