

AMENDED IN SENATE APRIL 26, 2016

AMENDED IN SENATE SEPTEMBER 4, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1530**

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**Introduced by Assembly Members Levine and Gordon**  
**(Principal coauthors: Assembly Members Gatto, Irwin, and Low)**  
(Principal coauthor: Senator Hill)  
**(Coauthors: Assembly Members Bonilla, Obernolte, and Mullin)**

March 18, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1530, as amended, Levine. 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 Public Utilities 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 Public Utilities 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 Public Utilities 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 Public Utilities Commission, resulting from the tariff modifications granted to members of each customer class may be recovered only from that class.

~~This bill would require the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission and the State Air Resources Board, to promote the deployment of clean distributed energy resources, as defined, in order to provide a stable and reliable supply of electricity. The bill would require the Public Utilities Commission to prioritize deployment of smart grids, microgrids, and reliable energy resources that reduce emissions of greenhouse gases to promote specified benefits. The bill would, to the extent authorized by federal law, require the Public Utilities Commission, by July 1, 2016, 2017, to do both of the following for those electrical corporation customers of the state's 3 largest electrical corporations that install clean distributed energy resources resources, as defined, after January 1, 2016: (1) require each electrical corporation those electrical corporations to collect all applicable nonbypassable charges fixed, implemented, administered, or imposed by the Public Utilities 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 kilowatthour as paid by other customers that do not employ a clean distributed energy resource, and (2) calculate a reserve capacity for standby service, if applicable, based on the capacity needed by an the 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 each electrical corporation the state's 3 largest electrical corporations to identify the total amount of nonbypassable charges that would be collected each year from customers served by clean distributed~~

energy resources installed after January 1, 2016, based on gross consumption without any adjustment for the generation of the clean distributed energy resources. The bill would require that this total amount be fully recovered from customers in the same customer class as those customers served by clean distributed energy resources installed after January 1, 2016, and would prohibit any amount from being shifted to any other customer class. The bill would require a customer served by a clean distributed energy resource to provide relevant data to the Public Utilities Commission and the State Air Resources Board annually. The bill would provide that the facility is subject to onsite inspection to verify equipment operation and performance, including capacity, thermal output, and usage, to verify applicable criteria air pollutant and greenhouse gases emissions performance. The bill would require the Public Utilities Commission to suspend the eligibility of new customers to receive service pursuant to the rate program established pursuant to the bill on December 31, 2020.

~~Existing law requires the State Air Resources Board to adopt greenhouse gas emissions limits and emissions reduction measures by regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit.~~

~~The bill would require the State Air Resources Board, in consultation with the State Energy Resources Conservation and Development Commission, to establish a schedule of annual greenhouse gas emissions reduction standards that certain facilities must meet, in addition to other criteria, to be included as a clean distributed energy resource for the purposes of the bill, not later than March 31, 2016. The bill would require the schedule to be updated every three years, with applicable standards for each intervening year.~~

Existing law requires the State Energy Resources Conservation and Development Commission, beginning November 1, 2003, and every 2 years thereafter, to adopt an integrated energy policy report which includes an overview of major energy trends and issues facing the state, including supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment.

The bill would require the State Energy Resources Conservation and Development Commission, in consultation with the Public Utilities Commission, to report on the impacts of the rate program established

pursuant to the bill in the integrated energy policy report to be filed on or before November 1, 2017, and November 1, 2019.

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

3 354. (a) As used in this section, “clean distributed energy  
4 resource” means a facility that is located on the customer’s  
5 premises and generates electricity, or electricity and useful heat,  
6 where the electricity generated is used for a purpose described in  
7 paragraph (1) or (2) of subdivision (b) of Section 218, and that  
8 meets, as determined for each year of eligibility based on the then  
9 current criteria, either of the following requirements:

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

11 ~~(A) Meets or exceeds the greenhouse gas emissions reduction~~  
12 ~~standards established pursuant to subdivision (b).~~

13 (A) *Has emissions of greenhouse gases that do not exceed 379*  
14 *kilograms of carbon dioxide, or its equivalent, per megawatthour,*  
15 *which is equal to the emissions rate eligibility threshold for the*  
16 *self-generation incentive program in effect on January 1, 2016.*

17 (B) ~~Complies with the oxides of nitrogen (NOx) emissions~~  
18 ~~standards adopted by the State Air Resources Board pursuant to~~  
19 ~~the distributed generation certification program requirements (17~~  
20 ~~Cal. Code Regs. 94203).~~

- 1 (C) Has a nameplate rated generation capacity of 15 megawatts
- 2 or less.
- 3 (D) Is sized to meet the electrical demand of, or use the available
- 4 waste heat of, the customer that will be served by the facility.
- 5 (2) It meets all of the following criteria:
- 6 (A) Is an eligible renewable energy resource, pursuant to the
- 7 California Renewables Portfolio Standard Program (Article 16
- 8 (commencing with Section 399.11)).
- 9 (B) Has a nameplate rated generation capacity of 15 megawatts
- 10 or less.
- 11 (C) Is sized to meet the electrical demand of the customer that
- 12 will be served by the facility.
- 13 (D) Will not otherwise be addressed in the commission's
- 14 implementation of Section 769 or 2827.1.
- 15 ~~(b) (1) The State Air Resources Board, in consultation with the~~
- 16 ~~Energy Commission, shall establish a schedule of annual~~
- 17 ~~greenhouse gas emissions reduction standards for a clean~~
- 18 ~~distributed energy resource, for the purpose of paragraph (1) of~~
- 19 ~~subdivision (a), not later than March 31, 2016, and shall update~~
- 20 ~~the schedule every three years, with applicable standards for each~~
- 21 ~~intervening year.~~
- 22 ~~(2) The greenhouse gas emissions reduction standards shall~~
- 23 ~~ensure that each eligible clean distributed energy resource, for the~~
- 24 ~~purpose of paragraph (1) of subdivision (a), reduces greenhouse~~
- 25 ~~gas emissions compared to the electrical grid resources, including~~
- 26 ~~renewable resources, that the clean distributed energy resource~~
- 27 ~~displaces, accounting for both procurement and operation of the~~
- 28 ~~electrical grid.~~
- 29 ~~(e) (1) In order to promote a modern electrical grid that provides~~
- 30 ~~a stable and reliable supply of electricity, the commission, in~~
- 31 ~~consultation with the Energy Commission and State Air Resources~~
- 32 ~~Board, shall promote the deployment of clean distributed energy~~
- 33 ~~resources.~~
- 34 ~~(2) The commission shall prioritize deployment of smart grids,~~
- 35 ~~microgrids, and reliable energy resources that reduce emissions~~
- 36 ~~of greenhouse gases to promote the following cobenefits:~~
- 37 ~~(A) Deployment of innovative technologies in California~~
- 38 ~~communities, especially disadvantaged communities.~~
- 39 ~~(B) Reduction of the use of water to generate electricity to assist~~
- 40 ~~with the drought.~~

1 ~~(C) Assistance to the state in reaching its State Implementation~~  
2 ~~Plan goals for clean air.~~

3 ~~(d)~~

4 (b) To the extent authorized by federal law, by July 1, 2016,  
5 2017, the commission shall require ~~each electrical corporation~~ *the*  
6 *state's three largest electrical corporations* to do the following  
7 for customers served by clean distributed energy resources installed  
8 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) Identify the total amount of nonbypassable charges that  
18 would be collected each year from customers served by clean  
19 distributed energy resources installed after January 1, 2016, based  
20 on gross consumption without any adjustment for the generation  
21 of the clean distributed energy resources. This total amount shall  
22 be fully recovered from customers in the same customer class as  
23 those customers served by clean distributed energy resources  
24 installed after January 1, 2016, and no amount may be shifted to  
25 any other customer class.

26 (3) (A) Calculate a reserve capacity for standby service, if  
27 applicable, based on the capacity needed by an electrical  
28 corporation to serve a customer's electrical demand during an  
29 outage of the clean distributed energy resource providing electric  
30 service for that customer.

31 (B) Initial reserve capacity shall be established by the customer  
32 for a minimum of 12 months based on the clean distributed energy  
33 resource generation technology's historical operation, the number,  
34 size, and outage diversity of the clean distributed energy resource,  
35 and the annual average reduction of customer load that could occur  
36 during an outage.

37 (C) If after the initial 12-month period, the electrical corporation  
38 reasonably determines that the reserve capacity does not reflect  
39 the customer's actual standby demand, averaged over the previous  
40 12 months, the electrical corporation shall modify the reserve

1 capacity once every 12 months to reflect the customer’s actual  
2 average annual reserve capacity based on the same criteria used  
3 to establish the initial reserve capacity. Calculation of actual  
4 average annual reserve capacity shall exclude the customer’s  
5 electrical demand served by the electrical corporation within 24  
6 hours following an outage of the clean distributed energy resource  
7 resulting from any event on the electrical corporation’s  
8 transmission or distribution grid that is outside of the customer’s  
9 control that requires the customer to reduce onsite generation.

10 ~~(e)~~

11 (c) A customer served by a clean distributed energy resource  
12 shall provide relevant data to the commission and the State Air  
13 Resources Board annually. The facility shall be subject to onsite  
14 inspection to verify equipment operation and performance,  
15 including capacity, thermal output, and usage, to verify applicable  
16 criteria for air pollutant and greenhouse gases emissions  
17 performance. Requests for relevant data shall occur no more than  
18 once per year.

19 ~~(f)~~

20 (d) (1) The Energy Commission, in consultation with the  
21 commission, shall report on the impacts of this section in the  
22 integrated energy policy report to be filed on or before November  
23 1, 2017, and November 1, 2019.

24 (2) The report to be submitted pursuant to this subdivision shall  
25 be submitted in compliance with Section 9795 of the Government  
26 Code.

27 (3) The requirement for submitting a report pursuant to this  
28 subdivision is inoperative on November 1, 2021, pursuant to  
29 Section 10231.5 of the Government Code.

30 ~~(g)~~

31 (e) The commission shall suspend the eligibility of new  
32 customers to receive service pursuant to the rate program  
33 established pursuant to subdivision ~~(d)~~ (b) on December 31, 2020.  
34 Customers that installed clean distributed energy resources after  
35 January 1, 2016, that became operational prior to suspension of  
36 eligibility pursuant to this subdivision and continue to generate  
37 electricity from their clean distributed energy resources after  
38 suspension shall continue to participate in the rate program  
39 established pursuant to subdivision ~~(d)~~ (b) for the entire useful life  
40 of their clean distributed energy resource.

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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