

AMENDED IN SENATE AUGUST 19, 2016
AMENDED IN SENATE AUGUST 2, 2016
AMENDED IN SENATE JUNE 15, 2016
AMENDED IN SENATE JUNE 13, 2016
AMENDED IN ASSEMBLY MARCH 17, 2016
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2868

**Introduced by Assembly Member Gatto
(Coauthor: Assembly Member Cristina Garcia)**

February 19, 2016

An act to add and repeal Section 2838.2 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2868, as amended, Gatto. Energy storage.

Existing law requires the Public Utilities Commission (PUC) to determine appropriate targets, if any, for each load-serving entity to procure viable and cost-effective energy storage systems to be achieved by December 31, 2020.

This bill ~~would, until January 1, 2020,~~ *would* require the PUC, in consultation with the State Air Resources Board and the State Energy Resources Conservation and Development Commission, to direct electrical corporations to file applications for programs and investments to accelerate widespread deployment of distributed energy storage systems, as defined. The bill would authorize the PUC to approve, or modify and approve, programs and investments in distributed energy

storage systems, as provided, and would require the PUC to first approve those programs and investments that provide distributed energy storage systems to industrial, commercial, *school, military*, and low-income customers. The bill would authorize the PUC, beginning January 1, 2019, to approve programs and investments for residential customers who enroll in time-variant pricing. *The bill would require that a minimum of 20% of the storage capacity in an electrical corporation’s approved programs and investments be dedicated to the benefit of public schools and military installations and would limit an electrical corporation’s total programs and investments to 5% of annual peak load, up to 250 megawatts.* Because a violation of any order, decision, rule, direction, demand, or requirement of the commission implementing these requirements would be a crime, this bill would impose a state-mandated local program.

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. (a) The Legislature finds and declares all of the
- 2 following:
- 3 (1) The state, through the Public Utilities Commission, has taken
- 4 action to promote energy storage, including setting energy storage
- 5 procurement targets applicable for certain load-serving entities,
- 6 totaling 1,325 megawatts, and for all other load-serving entities,
- 7 to be met by 2020, with installations of the energy storage systems
- 8 meeting the procurement targets by no later than the end of 2024.
- 9 (2) Ratepayer funding is currently allowed to provide incentives
- 10 to customers who purchase energy storage for permanent load
- 11 shifting.
- 12 (3) The Legislature reauthorized the self-generation incentive
- 13 program to provide incentives to customers who achieve reductions
- 14 in the emissions of greenhouse gases using technologies like energy
- 15 storage.

1 (4) The State Energy Resources Conservation and Development
2 Commission funds research and demonstration programs to further
3 the effectiveness of energy storage as an important resource to the
4 electric grid through the Electric Program Investment Charge.

5 (5) Federal Energy Regulatory Commission Order No. 792
6 directs transmission providers to define energy storage devices as
7 generating facilities, thereby enabling these resources to take
8 advantage of generator interconnection procedures.

9 (6) Industrial and commercial customers are subject to the
10 time-of-use tariffs of the load-serving entity providing electric
11 services, some of which also include demand charges. Industrial
12 and commercial customers have challenges modifying their
13 businesses to manage their electricity consumption and costs.

14 (7) Section 745 of the Public Utilities Code authorizes the
15 commission to require or authorize an electrical corporation to
16 employ default time-of-use pricing for residential customers.

17 (8) Changes in customer electricity usage will modify the peak
18 time for electricity demand and effect demand charges in rate
19 design.

20 (9) Properly designed and dispatched energy storage systems
21 will help customers manage energy costs, help reduce overall
22 system peak energy demands, improve public health, and assist in
23 achieving greenhouse gas emissions goals.

24 (10) Increased demand for energy storage technologies will
25 drive new business opportunities and create jobs.

26 (11) Easing energy costs for large energy users will help keep
27 manufacturing and industrial jobs in California.

28 (b) It is the policy of the state and the intent of the Legislature
29 to encourage energy storage as a means to achieve ratepayer
30 benefits, ambient air quality standards, and the state's climate
31 change goals.

32 SEC. 2. Section 2838.2 is added to the Public Utilities Code,
33 to read:

34 2838.2. (a) The following definitions apply to this section:

35 (1) "Distributed energy storage system" means an energy storage
36 system with a useful life of at least 10 years that is located on the
37 customer side of the meter.

38 (2) "Energy storage management system" means a system by
39 which an electrical corporation can manage the charging and

1 discharging of the distributed energy storage system in a manner
 2 that provides benefits to ratepayers.

3 (b) The commission, in consultation with the State Air Resources
 4 Board and the Energy Commission, shall direct electrical
 5 corporations to file applications for programs and investments to
 6 accelerate widespread deployment of distributed energy storage
 7 systems to achieve ratepayer benefits, reduce dependence on
 8 petroleum, meet air quality standards, and reduce emissions of
 9 greenhouse gases. Programs and investments proposed by electrical
 10 corporations shall seek to minimize overall costs and maximize
 11 overall benefits.

12 (c) (1) The commission may approve, or modify and approve,
 13 programs and investments *of an electrical corporation* in
 14 distributed energy storage systems with appropriate energy storage
 15 management systems and reasonable mechanisms for cost recovery
 16 from all distribution customers for distribution level distributed
 17 energy storage systems, and from transmission customers for
 18 transmission level distributed energy storage systems, ~~if they are~~
 19 ~~consistent with this section, do not compete unfairly with nonutility~~
 20 ~~enterprises, and are in the interest of the ratepayers.~~ *systems. An*
 21 *electrical corporation's programs and investments in distributed*
 22 *energy storage systems shall not exceed 5 percent of the electrical*
 23 *corporation's annual peak load, up to 250 megawatts.*

24 (2) *A minimum of 20 percent of the storage capacity in an*
 25 *electrical corporation's approved programs and investments in*
 26 *distributed energy storage systems shall be dedicated to the benefit*
 27 *of public schools and military installations. The electrical*
 28 *corporation shall allocate the benefits of this dedicated storage*
 29 *capacity to benefitting schools and military installations by*
 30 *reducing the customer's metered demand in an amount equivalent*
 31 *to the demand served by the storage that has been dedicated to*
 32 *these customers pursuant to this section.*

33 (d) *The commission shall approve an electrical corporation's*
 34 *application for a program or investment in distributed energy*
 35 *storage systems if it is consistent with the requirements of this*
 36 *section, does not unreasonably limit or impair the ability of*
 37 *nonutility enterprises to market and deploy energy storage systems*
 38 *to other customers, and is in the interest of ratepayers.*

39 (e) (1) *The commission shall approve, or modify and approve,*
 40 *each application filed by an electrical corporation pursuant to*

1 *this section within 12 months of the date of filing of the completed*
2 *application. The costs associated with storage investments*
3 *authorized by the commission shall be recoverable from all*
4 *electricity customers on a nonbypassable basis.*

5 (2) The commission shall first approve those programs and
6 investments that provide distributed energy storage systems to
7 industrial, commercial, *school, military*, and low-income
8 customers. Beginning January 1, 2019, the commission may
9 approve programs and investments offered to residential customers
10 who enroll in time-variant pricing pursuant to Section 745.

11 ~~(3) For purposes of this subdivision, to “compete unfairly with~~
12 ~~nonutility enterprises” means to eliminate the ability of nonutility~~
13 ~~enterprises to install distributed energy storage systems for the~~
14 ~~benefit of utility customers.~~

15 ~~(d) This section shall remain in effect only until January 1, 2020,~~
16 ~~and as of that date is repealed, unless a later enacted statute, that~~
17 ~~is enacted before January 1, 2020, deletes or extends that date.~~

18 (3) *The commission shall ensure that the costs for the programs*
19 *and investments are recovered through transmission, distribution,*
20 *and generation rate components in proportion to the benefits*
21 *received.*

22 (f) *The commission shall not establish a separate fund for this*
23 *program but shall allow standard cost recovery by an electrical*
24 *corporation.*

25 SEC. 3. No reimbursement is required by this act pursuant to
26 Section 6 of Article XIII B of the California Constitution because
27 the only costs that may be incurred by a local agency or school
28 district will be incurred because this act creates a new crime or
29 infraction, eliminates a crime or infraction, or changes the penalty
30 for a crime or infraction, within the meaning of Section 17556 of
31 the Government Code, or changes the definition of a crime within
32 the meaning of Section 6 of Article XIII B of the California
33 Constitution.