

AMENDED IN SENATE JUNE 11, 2014
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

Introduced by Assembly Members Gordon and Skinner

February 10, 2014

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 continue the collection for the program for distributed energy resources originally established pursuant to the above-described law through and including December 31, 2020, and 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 *(2) (A) The commission, in consultation with the Energy*
30 *Commission, shall authorize the annual collection of not more*
31 *than the amount authorized for the self-generation incentive*
32 *program in the 2008 calendar year, through and including*
33 *December 31, 2020. The commission shall require the*
34 *administration of the program for distributed energy sources*
35 *originally established pursuant to Chapter 329 of the Statutes of*
36 *2000 through and including December 31, 2021. On January 1,*
37 *2022, the commission shall provide repayment of all unallocated*
38 *funds collected pursuant to this section to reduce ratepayer costs.*

1 ~~(E)~~
2 (B) Beginning January 1, 2018, and each year thereafter until
3 December 31, 2021, the commission shall reduce the total amount
4 allocated for the program by 10 percent annually.

5 ~~(F) On January 1, 2022, all unallocated funds allocated pursuant~~
6 ~~to subparagraph (C) shall be subject to expenditure for the purposes~~
7 ~~of subdivision (c) of Section 748.5.~~

8 (3) The commission shall administer solar technologies
9 separately, pursuant to the California Solar Initiative adopted by
10 the commission in Decisions 05-12-044 and 06-01-024, as modified
11 by Article 1 (commencing with Section 2851) of Chapter 9 of Part
12 2 of Division 1 of this code and Chapter 8.8 (commencing with
13 Section 25780) of Division 15 of the Public Resources Code.

14 (b) (1) Eligibility for incentives under the self-generation
15 incentive program shall be limited to distributed energy resources
16 that the commission, in consultation with the State Air Resources
17 Board, determines will achieve reductions in emissions of
18 greenhouse gases pursuant to the California Global Warming
19 Solutions Act of 2006 (Division 25.5 (commencing with Section
20 38500) of the Health and Safety Code).

21 (2) On or before July 1, 2015, the commission shall update the
22 factor for avoided greenhouse gas emissions based on the most
23 recent data available to the State Air Resources Board for
24 greenhouse gas emissions from electricity sales in the
25 self-generation incentive program administrators' service areas as
26 well as current estimates of greenhouse gas emissions over the
27 useful life of the distributed energy resource, including
28 consideration of the effects of the California Renewables Portfolio
29 Standard.

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

33 (1) An oxides of nitrogen (NO_x) emissions rate standard of 0.07
34 pounds per megawatthour and a minimum efficiency of 60 percent,
35 or any other NO_x emissions rate and minimum efficiency standard
36 adopted by the State Air Resources Board. A minimum efficiency
37 of 60 percent shall be measured as useful energy output divided
38 by fuel input. The efficiency determination shall be based on 100
39 percent load.

1 (2) Combined heat and power units that meet the 60-percent
2 efficiency standard may take a credit to meet the applicable NO_x
3 emissions standard of 0.07 pounds per megawatthour. Credit shall
4 be at the rate of one megawatthour for each 3,400,000 British
5 thermal units (Btus) of heat recovered.

6 (3) The customer receiving incentives shall adequately maintain
7 and service the combined heat and power units so that, during
8 operation, the system continues to meet or exceed the efficiency
9 and emissions standards established pursuant to paragraphs (1)
10 and (2).

11 (4) Notwithstanding paragraph (1), a project that does not meet
12 the applicable NO_x emissions standard is eligible if it meets both
13 of the following requirements:

14 (A) The project operates solely on waste gas. The commission
15 shall require a customer that applies for an incentive pursuant to
16 this paragraph to provide an affidavit or other form of proof that
17 specifies that the project shall be operated solely on waste gas.
18 Incentives awarded pursuant to this paragraph shall be subject to
19 refund and shall be refunded by the recipient to the extent the
20 project does not operate on waste gas. As used in this paragraph,
21 “waste gas” means natural gas that is generated as a byproduct of
22 petroleum production operations and is not eligible for delivery
23 to the utility pipeline system.

24 (B) The air quality management district or air pollution control
25 district, in issuing a permit to operate the project, determines that
26 operation of the project will produce an onsite net air emissions
27 benefit, compared to permitted onsite emissions if the project does
28 not operate. The commission shall require the customer to secure
29 the permit prior to receiving incentives.

30 (d) In determining the eligibility for the self-generation incentive
31 program, minimum system efficiency shall be determined either
32 by calculating electrical and process heat efficiency as set forth in
33 Section 216.6, or by calculating overall electrical efficiency.

34 (e) Eligibility for incentives under the program shall be limited
35 to distributed energy resource technologies that the commission
36 determines meet all of the following requirements:

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

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

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

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

7 (f) Recipients of the self-generation incentive program funds
8 shall provide relevant data to the commission and the State Air
9 Resources Board, upon request, and shall be subject to onsite
10 inspection to verify equipment operation and performance,
11 including capacity, thermal output, and usage to verify criteria air
12 pollutant and greenhouse gas emissions performance.

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

16 (h) (1) In administering the self-generation incentive program,
17 the commission may adjust the amount of rebates and evaluate
18 other public policy interests, including, but not limited to,
19 ratepayers, energy efficiency, peak load reduction, load
20 management, and environmental interests.

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

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

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

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

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

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

38 (B) The amount of reductions of emissions of criteria air
39 pollutants measured in terms of avoided emissions and reductions

1 of criteria air pollutants represented by emissions credits secured
2 for project approval.

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

4 (D) The amount of reductions of aggregate noncoincident
5 customer peak demand.

6 (E) The ratio of the electricity generated by distributed energy
7 resource projects receiving incentives from the program to the
8 electricity capable of being produced by those distributed energy
9 resource projects, commonly known as a capacity factor.

10 (F) The value to the electrical transmission and distribution
11 system measured in avoided costs of transmission and distribution
12 upgrades and replacement.

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

16 (2) In addition to evaluating the program based on the
17 performance measures specified in paragraph (1), the commission
18 shall also evaluate the program's effectiveness in providing
19 frequency regulation, voltage support, demand reduction, peak
20 shaving, ramp rate control, and other wholesale ancillary and grid
21 reliability services.

22 ~~(m) To ensure that the self-generation incentive program is more~~
23 ~~likely to fund those technologies that meet the requirements of this~~
24 ~~section, the commission shall review annually the level of~~
25 ~~incentives and the cost of the technologies that are receiving~~
26 ~~incentives and (1) allow incentive eligibility for new technologies;~~
27 ~~(2) remove incentive eligibility for technologies that have received~~
28 ~~incentives but have not met the requirements of this section, or (3)~~
29 ~~remove incentive eligibility or reduce incentives for technologies~~
30 ~~that have received incentives and have reduced the emissions of~~
31 ~~greenhouse gases, but have not otherwise met the requirements of~~
32 ~~this section.~~

33 *(m) To ensure that the self-generation incentive program is*
34 *more likely to fund those technologies that meet the requirements*
35 *of this section, beginning in March 1, 2017, and each year*
36 *thereafter, for as long as the self-generation incentive program is*
37 *providing incentives, the commission shall review the level of*
38 *incentives and the cost of the technologies that are receiving*
39 *incentives and (1) allow incentive eligibility for new technologies,*
40 *or (2) remove incentive eligibility for technologies that have*

1 *received incentives but have not met the requirements of this*
2 *section.*

3 SEC. 2. No reimbursement is required by this act pursuant to
4 Section 6 of Article XIII B of the California Constitution because
5 the only costs that may be incurred by a local agency or school
6 district will be incurred because this act creates a new crime or
7 infraction, eliminates a crime or infraction, or changes the penalty
8 for a crime or infraction, within the meaning of Section 17556 of
9 the Government Code, or changes the definition of a crime within
10 the meaning of Section 6 of Article XIII B of the California
11 Constitution.

O