

AMENDED IN SENATE AUGUST 28, 2001

AMENDED IN SENATE JUNE 19, 2001

CALIFORNIA LEGISLATURE—2001–02 SECOND EXTRAORDINARY SESSION

ASSEMBLY BILL

No. 26

Introduced by Assembly Member Calderon

May 17, 2001

~~An act to add Section and repeal 39925 to the Health and Safety Code, and to add Section 743.2 to, and to amend Section 353.13 of, An act to amend Section 353.13 of the Public Utilities Code, relating to public utilities.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 26, as amended, Calderon. Electrical energy: ~~air pollution electrical corporations: tariffs.~~

~~(1) Existing law contains various provisions relative to air pollution control.~~

~~This bill would require the State Air Resources Board, on or before August 1, 2001, in consultation with the Independent System Operator, air quality management districts, air pollution control districts, and the owners and operators of fossil-fueled electrical generating facilities in the state, to establish an environmental dispatch procedure to minimize nitrogen oxide emissions from generating facilities consistent with maintaining electric system reliability. Under the provisions of the bill, the environmental dispatch procedure will apply only to those units that have exhausted the allowable emission credits or hours under a local air district permit. The bill would authorize the Independent System Operator to deviate from the environmental dispatch procedure where~~

necessary to preserve the reliability of the transmission grid. The bill would require the State Air Resources Board and the Independent System Operator to submit a report to the Legislature assessing the effect of the environmental dispatch procedure on emissions and air quality, electric system reliability, and electric prices in the state. These requirements would be repealed January 1, 2004.

~~(2) Existing~~

Existing law requires the Public Utilities Commission to require each electrical corporation to establish new tariffs on or before January 1, 2003, for customers using distributed energy resources.

This bill would require the commission, in establishing those tariffs, to consider coincident peakload, and the reliability of the onsite generation, as determined by the frequency and duration of outages, so that customers with more reliable onsite generation and those that reduce peak demand pay a lower cost-based rate.

~~(3) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and other specified entities.~~

~~This bill would authorize an electrical corporation to recover the reasonable cost of implementing programs, as described, intended to reduce or manage electric demand and energy usage, provide distributed generation, or allow customers to better manage their energy usage through installation of real time metering. The bill would authorize an electrical corporation to recover the costs by charging those costs against amounts collected by the electrical corporation on behalf of the Department of Water Resources for power supplied by the department to the customers of the electrical corporation. The bill would provide that the funding mechanisms established for new programs under these provisions are not subject to any prohibition against electricity post rate freeze cost recovery.~~

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. ~~Section 39925 is added to the Health and Safety~~
- 2 ~~Code, to read:~~
- 3 ~~39925. (a) On or before August 1, 2001, the state board, in~~
- 4 ~~consultation with the Independent System Operator, air quality~~
- 5 ~~management districts, air pollution control districts, and the~~

~~owners and operators of fossil-fueled electrical generation facilities in the state, shall establish standards and regulations to establish an environmental dispatch procedure to minimize nitrogen oxide emissions from generating facilities consistent with maintaining electric system reliability. The environmental dispatch procedure shall apply only to those units that have exhausted the allowable emission credits or hours under a local air district permit. The Independent System Operator may deviate from the environmental dispatch procedure if necessary to preserve the reliability of the transmission grid.~~

~~(b) On or before August 1, 2003, the state board and the Independent System Operator shall submit a report to the Legislature assessing the effect of the standards and regulations developed pursuant to this section on emissions and air quality, electric system reliability, and electric prices in the state.~~

~~(c) This section shall remain in effect only until January 1, 2004, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 2004, deletes or extends that date.~~

~~SEC. 2.—~~

SECTION 1. Section 353.13 of the Public Utilities Code is amended to read:

353.13. (a) The commission shall require each electrical corporation to establish new tariffs on or before January 1, 2003, for customers using distributed energy resources, including, but not limited to, those that do not meet all of the criteria described in Section 353.1. However, after January 1, 2003, distributed energy resources that meet all of the criteria described in Section 353.1 shall continue to be subject only to those tariffs in existence pursuant to Section 353.3, until June 1, 2011, except that installations that do not operate in a combined heat and power application will be subject to those tariffs in existence pursuant to Section 353.3 only until June 1, 2006. Those tariffs required pursuant to this section shall ensure that all net distribution costs incurred to serve each customer class, taking into account the actual costs and benefits of distributed energy resources, proportional to each customer class, as determined by the commission, are fully recovered only from that class. The commission shall require each electrical corporation, in establishing those rates, to ensure that customers with similar load

1 profiles within a customer class will, to the extent practicable, be
2 subject to the same utility rates, regardless of their use of
3 distributed energy resources to serve onsite loads or
4 over-the-fence transactions allowed under Sections 216 and 218.
5 Customers with dedicated facilities shall remain responsible for
6 their obligations regarding payment for those facilities.

7 (b) The commission shall prepare and submit to the
8 Legislature, on or before June 1, 2002, a report describing its
9 proposed methodology for determining the new rates and the
10 process by which it will establish those rates.

11 (c) In establishing the tariffs, the commission shall consider
12 coincident peakload, and the reliability of the onsite generation, as
13 determined by the frequency and duration of outages, so that
14 customers with more reliable onsite generation and those that
15 reduce peak demand pay a lower cost-based rate.

16 ~~SEC. 3. Section 743.2 is added to the Public Utilities Code, to~~
17 ~~read:~~

18 ~~743.2. (a) The Legislature finds and declares that new and~~
19 ~~existing programs intended to reduce or manage electric demand~~
20 ~~and energy usage, provide distributed generation, or allow~~
21 ~~customers to better manage their energy usage through installation~~
22 ~~of real time metering, are preferable to the apparent alternative of~~
23 ~~increasingly frequent and severe rotating outages and their~~
24 ~~consequent effect on the state's economy, whether these programs~~
25 ~~are required by the Legislature, the commission, or the~~
26 ~~Independent System Operator.~~

27 ~~(b) An electrical corporation shall be permitted to recover~~
28 ~~concurrently the reasonable costs of implementing the programs,~~
29 ~~including customer incentive, marketing, administration, and~~
30 ~~infrastructure costs for new programs and current programs, to the~~
31 ~~extent funding for current programs is not already embedded in~~
32 ~~rates or otherwise provided. An electrical corporation may charge~~
33 ~~these costs against amounts collected by the electrical corporation~~
34 ~~on behalf of the Department of Water Resources for power~~
35 ~~supplied by that department to the customers of the electrical~~
36 ~~corporation pursuant to Division 27 (commencing with Section~~
37 ~~80000) of the Water Code.~~

38 ~~(c) Notwithstanding any law to the contrary, the funding~~
39 ~~mechanisms established for new programs under this section may~~

- 1 ~~not be subject to any prohibition against electricity post-rate freeze~~
- 2 ~~cost recovery.~~

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