

AMENDED IN SENATE JUNE 6, 2002

AMENDED IN ASSEMBLY APRIL 23, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 2307

Introduced by Assembly Member Kehoe
(Coauthor: Assembly Member Diaz)
(Coauthors: Senators Alpert, Figueroa, and Morrow)

February 21, 2002

An act to amend Section 353.1 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2307, as amended, Kehoe. Electrical corporations: distributed energy resources.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. The commission must require every electrical corporation under the operational control of the Independent System Operator as of January 1, 2001, to modify its tariffs so that customers that install distributed energy resources, as defined, 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 requires the commission, in establishing these uniform rates, to create a firewall that segregates distribution cost recovery, so that any net costs resulting from the tariff modifications granted to members of*

each customer class may be recovered only from that class. “Distributed energy resources” are defined as any electric generation technology that (a) commences initial operation between May 1, 2001, and June 1, 2003, except that gas-fired distributed energy resources that are not operated in a combined heat and power application must commence operation no later than September 1, 2002, (b) is located within a single facility, (c) is 5 megawatts or smaller, (d) serves onsite loads or over-the-fence transactions, (e) is powered by any fuel other than diesel, and (f) complies with emission standards and guidance adopted by the State Air Resources Board.

This bill would revise the definition of “distributed energy resources” to include technology commencing operation between May 1, 2001, and June 1, 2005, except as exempted under existing law. *The bill would require the commission to protect ratepayers, by applying the firewall that segregates distribution cost recovery, to distributed energy resources that commence operation between June 1, 2003, and June 1, 2005. The bill would require that, if the commission determines that these changes would cause net costs that would otherwise be borne by ratepayers, the operators of distributed energy resources that commence initial operation between June 1, 2003, and May 31, 2005, bear those net costs.*

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 353.1 of the Public Utilities Code is
- 2 amended to read:
- 3 353.1. As used in this article, “distributed energy resources”
- 4 means any electric generation technology that meets all of the
- 5 following criteria:
- 6 (a) Commences initial operation between May 1, 2001, and
- 7 June 1, 2005, except that gas-fired distributed energy resources
- 8 that are not operated in a combined heat and power application
- 9 must commence operation no later than September 1, 2002.
- 10 (b) Is located within a single facility.
- 11 (c) Is five megawatts or smaller in aggregate capacity.
- 12 (d) Serves onsite loads or over-the-fence transactions allowed
- 13 under Sections 216 and 218.
- 14 (e) Is powered by any fuel other than diesel.



(f) Complies with emission standards and guidance adopted by the State Air Resources Board pursuant to Sections 41514.9 and 41514.10 of the Health and Safety Code. Prior to the adoption of those standards and guidance, for the purpose of this article, distributed energy resources shall meet emissions levels equivalent to nine parts per million oxides of nitrogen, or the equivalent standard taking into account efficiency as determined by the State Air Resources Board, averaged over a three-hour period, or best available control technology for the applicable air district, whichever is lower, except for distributed generation units that displace and therefore significantly reduce emissions from natural gas flares or reinjection compressors, as determined by the State Air Resources Control Board. These units shall comply with the applicable best available control technology as determined by the air pollution control district or air quality management district in which they are located. ~~If the commission determines that, as a result of this act, that net costs exist that would otherwise be borne by ratepayers, those net costs shall not be borne by ratepayers, but shall be borne by the operators of distributed energy resources that commence initial operation between June 1, 2003, and May 31, 2005.~~

(g) *For distributed energy resources that commence initial operation between June 1, 2003, and June 1, 2005, ratepayers shall be protected pursuant to Section 353.9.*