

AMENDED IN ASSEMBLY JANUARY 5, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1684

Introduced by Assembly Member Leno

February 21, 2003

An act to add Section ~~750~~ 379.6 to the Public Utilities Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 1684, as amended, Leno. Distributed ~~energy generation resources.~~

~~Existing law authorized the Department of Water Resources, until January 2, 2003, to enter into contracts for the purchase of electricity, to sell electricity to retail end use customers and, with certain exceptions, to local publicly owned electric utilities, at not more than the department's acquisition costs. Existing law provides for the repaying of the department's acquisition costs.~~

~~Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Existing law provides that 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. These provisions do not relieve a customer of any obligation~~

~~determined by the commission to result from participation in the purchases of electricity by the department.~~

~~This bill would exclude solar installations from any cost responsibility surcharges that the commission may impose upon customer generation departing load.~~

Existing law requires the Public Utilities Commission on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods, including, but not limited to, differential incentives for renewable or superclean distributed generation resources. Pursuant to this requirement, the commission has developed a Self Generation Incentive Program to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability.

This bill would require the commission, in consultation with the State Energy Resources Conservation and Development Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004. The bill would require combustion-operated distributed generation using nonrenewable fuel, in order to be eligible for incentive rebates, commencing January 1, 2005, meet a certain NO_x emission standard or operate solely on certain natural gas and provide a net air emissions benefit. And, commencing January 1, 2007, meet a more stringent NO_x emission standard and a minimum efficiency standard or operate solely on certain natural gas and provide a net air emissions benefit. The bill would establish, as of January 1, 2007, a credit for combined heat and power units that meet a certain efficiency standard.

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. The Legislature finds and declares each of the~~
 2 ~~following:~~



1 ~~(a) The Public Utilities Commission in Rulemaking 02-01-011~~
2 ~~(Order Instituting Rulemaking Regarding the Implementation of~~
3 ~~the Suspension of Direct Access Pursuant to Assembly Bill 1x and~~
4 ~~Decision 01-09-060) is considering the adoption of a cost~~
5 ~~responsibility surcharge mechanism for customer generation~~
6 ~~departing load.~~

7 ~~(b) The imposition of cost responsibility surcharges would~~
8 ~~impose a strong disincentive to investments in solar technology~~
9 ~~that would reduce the risk of future electricity shortages.~~

10 ~~(c) The Legislature intends to exclude solar installations from~~
11 ~~any cost responsibility surcharges that the commission may~~
12 ~~impose upon customer generation departing load.~~

13 ~~SEC. 2. Section 750 is added to the Public Utilities Code, to~~
14 ~~read:~~

15 ~~750. Notwithstanding any other law, the commission shall not~~
16 ~~impose any cost responsibility surcharge for customer solar~~
17 ~~generation departing load.~~

18 ~~SECTION 1. Section 379.6 is added to the Public Utilities~~
19 ~~Code, to read:~~

20 ~~379.6. (a) The commission, in consultation with the State~~
21 ~~Energy Resources Conservation and Development Commission,~~
22 ~~shall administer, until January 1, 2008, a self-generation incentive~~
23 ~~program for distributed generation resources, in the same form as~~
24 ~~exists on January 1, 2004.~~

25 ~~(b) Notwithstanding subdivision (a), the self-generation~~
26 ~~incentive program shall do all of the following:~~

27 ~~(1) Commencing January 1, 2005, require all~~
28 ~~combustion-operated distributed generation projects using fossil~~
29 ~~fuels to do either of the following to be eligible for self-generation~~
30 ~~rebates under the level 3 incentive category for nonrenewables, as~~
31 ~~established by the commission in Decision 01-03-073, dated~~
32 ~~March 27, 2001:~~

33 ~~(A) Meet an oxides of nitrogen (NO_x) emissions rate standard~~
34 ~~of 0.14 pounds per megawatthour.~~

35 ~~(B) Operate solely on natural gas that is not eligible for~~
36 ~~delivery to the utility pipeline system, and demonstrate that the~~
37 ~~project will provide a net air emissions benefit to the facilities'~~
38 ~~operations, which benefit shall be certified by the air quality~~
39 ~~management district or air pollution control district.~~



1 (2) Commencing January 1, 2007, require all
2 combustion-operated distributed generation projects using fossil
3 fuels to do either of the following to be eligible for self-generation
4 rebates under the level 3 incentive category for nonrenewables, as
5 established by the commission in Decision 01-03-073, dated
6 March 27, 2001:

7 (A) Meet an oxides of nitrogen (NO_x) emissions rate standard
8 of 0.07 pounds per megawatthour and a minimum efficiency of 60
9 percent. A minimum efficiency of 60 percent shall be measured as
10 useful energy output divided by fuel input. The efficiency
11 determination shall be based on 100 percent load. Combined heat
12 and power units that meet the 60 percent efficiency standard may
13 take a credit to meet the applicable oxides of nitrogen (NO_x)
14 emission standard of 0.14 pounds per megawatthour or 0.07
15 pounds per megawatthour. Credit shall be at the rate of one
16 megawatthour for each 3.4 million British Thermal Units (BTUs)
17 of heat recovered.

18 (B) Operate solely on natural gas that is not eligible for
19 delivery to the utility pipeline system, and demonstrate that the
20 project will provide a net air emissions benefit to the facilities'
21 operations, which benefit shall be certified by the air quality
22 management district or air pollution control district.

23 (3) Provide the commission with flexibility in administering the
24 self-generation incentive program, including, but not limited to,
25 flexibility with regard to the amount of rebates, inclusion of other
26 ultra clean and low emission distributed generation technologies,
27 and evaluation of other public policy interests, including, but not
28 limited to, ratepayers, and energy efficiency and environmental
29 interests.

