AMENDED IN SENATE JULY 19, 2004

AMENDED IN SENATE JUNE 14, 2004

AMENDED IN ASSEMBLY JANUARY 16, 2004

AMENDED IN ASSEMBLY JANUARY 14, 2004

AMENDED IN ASSEMBLY JANUARY 5, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL No. 1684

Introduced by Assembly Members Leno and Oropeza

February 21, 2003

An act to amend Section 379.6 of the Public Utilities Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

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

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.

Existing law requires the commission, in consultation with the Energy 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. This program requires that 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 and, commencing January 1, 2007, meet a more stringent NO_x emission standard and a minimum efficiency standard. This existing program establishes, as of January 1, 2007, a credit for combined heat and power units that meet a certain efficiency standard.

This bill would expand the self-generation incentive program to make eligible for incentive rebates a project that operates solely on waste gas, as defined, subject to certain requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 379.6 of the Public Utilities Code is amended to read:

379.6. (a) The commission, in consultation with the State Energy Resources Conservation and Development Commission, shall administer, until January 1, 2008, the self-generation incentive program for distributed generation resources originally established pursuant to Chapter 329 of the Statutes of 2000. Except as provided in subdivision (b), the program shall be administered in the same form as it existed on January 1, 2004.

(b) Eligibility for the self-generation incentive program's level 3 incentive category shall be subject to the following conditions:

(1) Commencing January 1, 2005, all combustion-operated distributed generation projects using fossil ~~fuels~~ *fuel* shall meet an oxides of nitrogen (NO_x) emissions rate standard of 0.14 pounds per megawatthour .

(2) Commencing January 1, 2007, all combustion-operated distributed generation projects using fossil ~~fuels~~ *fuel* shall meet a NO_x emissions rate standard of 0.07 pounds per megawatthour and a minimum efficiency of ~~60 percent~~ *60-percent*. A minimum

efficiency of 60 percent shall be measured as useful energy output divided by fuel input. The efficiency determination shall be based on 100 percent load.

(3) Combined heat and power units that meet the 60 percent efficiency standard may take a credit to meet the applicable NO_x emission standard of 0.14 pounds per megawatthour or 0.07 pounds per megawatthour. Credit shall be at the rate of one megawatthour for each 3.4 million British thermal units (Btus) of heat recovered.

(4) Notwithstanding paragraphs (1) and (2), a project that does not meet the applicable NO_x emission standard is eligible if it meets both of the following requirements:

(A) The project operates solely on waste gas. The commission shall require a customer that receives an incentive pursuant to this paragraph to secure an interconnection agreement that specifies that the project shall be operated solely on waste gas. Incentives awarded pursuant to this paragraph shall be subject to refund and shall be refunded by the recipient to the extent the project does not operate on waste gas. A gas corporation or other gas supplier shall report to the commission any deliveries of gas for a project that has been awarded an incentive pursuant to this paragraph. As used in this paragraph, ‘‘waste gas’’ means natural gas that is generated as a byproduct of petroleum production operations and is not eligible for delivery to the utility pipeline system.

(B) The air quality management district or air pollution control district, in issuing a permit to operate the project, determines that operation of the project will produce a net air emissions benefit, compared to permitted emissions if the project does not operate.

(c) In administering the self-generation incentive program, the commission may adjust the amount of rebates, include other ~~ultra clean and low emission~~ *ultraclean and low-emission* distributed generation technologies, as defined in Section 353.2, and evaluate other public policy interests, including, but not limited to, ratepayers, and energy efficiency and environmental interests.

O