

AMENDED IN SENATE AUGUST 23, 2004

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~~ *emissions* standard and, commencing January 1, 2007, meet a more stringent NO_x ~~emission~~ *emissions* 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:

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

3 379.6. (a) The commission, in consultation with the State
4 Energy Resources Conservation and Development Commission,
5 shall administer, until January 1, 2008, the self-generation
6 incentive program for distributed generation resources originally
7 established pursuant to Chapter 329 of the Statutes of 2000. Except
8 as provided in subdivision (b), the program shall be administered
9 in the same form as it existed on January 1, 2004.

10 (b) Eligibility for the self-generation incentive program’s level
11 3 incentive category shall be subject to the following conditions:

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

16 (2) Commencing January 1, 2007, all combustion-operated
17 distributed generation projects using fossil fuel shall meet a NO_x
18 emissions rate standard of 0.07 pounds per megawatthour and a



1 minimum efficiency of 60-percent. A minimum efficiency of 60
2 percent shall be measured as useful energy output divided by fuel
3 input. The efficiency determination shall be based on 100 percent
4 load.

5 (3) Combined heat and power units that meet the 60 percent
6 efficiency standard may take a credit to meet the applicable NO_x
7 ~~emission~~ *emissions* standard of 0.14 pounds per megawatthour or
8 0.07 pounds per megawatthour. Credit shall be at the rate of one
9 megawatthour for each 3.4 million British thermal units (Btus) of
10 heat recovered.

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

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

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

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

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