

AMENDED IN SENATE AUGUST 25, 2004
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, *and declaring the urgency thereof, to take effect immediately.*

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 emissions standard and, commencing January 1, 2007, meet a more stringent NO_x 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.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~^{2/3}. 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



1 oxides of nitrogen (NO_x) emissions rate standard of 0.14 pounds
2 per megawatthour.

3 (2) Commencing January 1, 2007, all combustion-operated
4 distributed generation projects using fossil fuel shall meet a NO_x
5 emissions rate standard of 0.07 pounds per megawatthour and a
6 minimum efficiency of 60-percent. A minimum efficiency of 60
7 percent shall be measured as useful energy output divided by fuel
8 input. The efficiency determination shall be based on 100 percent
9 load.

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

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

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

32 (B) The air quality management district or air pollution control
33 district, in issuing a permit to operate the project, determines that
34 operation of the project will produce an onsite net air emissions
35 benefit, compared to permitted onsite emissions if the project does
36 not operate. The commission shall require the customer to secure
37 the permit prior to receiving incentives.

38 (c) In administering the self-generation incentive program, the
39 commission may adjust the amount of rebates, include other
40 ultraclean and low-emission distributed generation technologies,



1 as defined in Section 353.2, and evaluate other public policy
2 interests, including, but not limited to, ratepayers, and energy
3 efficiency and environmental interests.

4 *SEC. 2. This act is an urgency statute necessary for the*
5 *immediate preservation of the public peace, health, or safety*
6 *within the meaning of Article IV of the Constitution and shall go*
7 *into immediate effect. The facts constituting the necessity are:*

8 *Chapter 894 of the Statutes of 2003, through an inadvertent*
9 *omission, rendered waste gas electric generation units ineligible*
10 *for participation in the Public Utility Commission's*
11 *self-generation incentive program. As a result, solid waste gas is*
12 *currently being burned into the atmosphere instead of producing*
13 *much needed electric power. In order to increase the state's electric*
14 *energy supply and reduce emissions from flared waste gas without*
15 *delay, it is necessary that this act go into immediate effect.*

