

## Assembly Bill No. 1684

### CHAPTER 675

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.

[Approved by Governor September 22, 2004. Filed with Secretary of State September 22, 2004.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1684, 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<sub>x</sub> emissions standard and, commencing January 1, 2007, meet a more stringent NO<sub>x</sub> 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.

*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 fuel shall meet an oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.14 pounds per megawatthour.

(2) Commencing January 1, 2007, all combustion-operated distributed generation projects using fossil fuel shall meet a NO<sub>x</sub> emissions rate standard of 0.07 pounds per megawatthour and a minimum efficiency of 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<sub>x</sub> emissions 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<sub>x</sub> 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 applies for an incentive pursuant to this paragraph to provide an affidavit or other form of proof, 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. 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 an onsite net air emissions benefit,



compared to permitted onsite emissions if the project does not operate. The commission shall require the customer to secure the permit prior to receiving incentives.

(c) In administering the self-generation incentive program, the commission may adjust the amount of rebates, include other 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.

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

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

