

AMENDED IN SENATE SEPTEMBER 4, 2003

AMENDED IN SENATE AUGUST 18, 2003

AMENDED IN SENATE JULY 16, 2003

AMENDED IN ASSEMBLY MAY 13, 2003

AMENDED IN ASSEMBLY APRIL 24, 2003

AMENDED IN ASSEMBLY APRIL 10, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1685

Introduced by Assembly Member Leno
(Coauthors: Assembly Members Hancock, Jackson, and Koretz)

February 21, 2003

An act to amend ~~Section 353.2~~ *Sections 353.2 and 379.5* of, and to add Section 379.6 to, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1685, as amended, Leno. Energy: self-generation incentive program: peak reduction.

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 defines “ultra-clean and low-emission distributed generation” as an electric generation technology that produces zero emissions during operation or that produces emissions that are equal to or less than limits established by the State Air Resources Board, if the electric generation technology commences operation between January 1, 2003, and December 31, 2005.

This bill would require 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, but would require that combustion-operated distributed generation ~~resources~~, *projects using fossil fuels* commencing January 1, 2005, meet a NO_x emission standard, and commencing January 1, 2007, ~~be an ultra-clean and low emission distributed generation~~ *meet a more stringent NO_x emission standard and a minimum efficiency standard*, to be eligible for incentive rebates under the program. *The bill would establish a credit for combined heat and power units that meet a certain efficiency standard.*

The bill would revise the definition of an ultra-clean and low-emission distributed generation to include electric generation technologies that commence operation prior to December 31, 2008.

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:

3 (a) Increasing California’s reliance on renewable energy
4 resources, particularly solar, “ultra-clean,” and “low-emission”
5 electricity generation, promotes stable electricity prices, protects
6 public health, improves environmental quality, stimulates
7 sustainable economic development, creates new employment
8 opportunities, and reduces reliance on imported fuels.

9 (b) The development of renewable energy resources,
10 particularly nonpolluting solar electricity generation, ameliorates
11 air quality problems throughout the state and improves public

1 health by reducing the burning of fossil fuels and the associated
2 environmental impacts.

3 (c) The Self Generation Incentive Program administered by the
4 Public Utilities Commission and established pursuant to Section
5 379.5 (Decision 01-03- 073, March 27, 2001), has been a critically
6 important subsidy for the growth of solar electricity generation in
7 California, but is set to expire at the end of 2004.

8 (d) The Legislature intends that the commission continue the
9 Self Generation Incentive Program in order to subsidize solar
10 electricity generation.

11 SEC. 2. Section 353.2 of the Public Utilities Code is amended
12 to read:

13 353.2. (a) As used in this article, “ultra clean and low
14 emission distributed generation” means any electric generation
15 technology that meets both of the following criteria:

16 (1) Commences initial operation between January 1, 2003, and
17 December 31, 2008.

18 (2) Produces zero emissions during its operation or produces
19 emissions during its operation that are equal to or less than the
20 2007 State Air Resources Board emission limits for distributed
21 generation, except that technologies operating by combustion
22 must operate in a combined heat and power application with a
23 60-percent system efficiency on a higher heating value.

24 (b) In establishing rates and fees, the commission may consider
25 energy efficiency and emissions performance to encourage early
26 compliance with air quality standards established by the State Air
27 Resources Board for ultra clean and low emission distributed
28 generation.

29 SEC. 3. *Section 379.5 of the Public Utilities Code is amended*
30 *to read:*

31 379.5. Notwithstanding any other provision of law, on or
32 before March 7, 2001, the commission, in consultation with the
33 Independent System Operator, shall take all of the following
34 actions, and shall include the reasonable costs involved in taking
35 those actions in the distribution revenue requirements of utilities
36 regulated by the commission, as appropriate:

37 (a) (1) Identify and undertake those actions necessary to
38 reduce or remove constraints on the state’s existing electrical
39 transmission and distribution system, including, but not limited to,
40 reconductoring of transmission lines, the addition of capacitors to

1 increase voltage, the reinforcement of existing transmission
2 capacity, and the installation of new transformer banks. The
3 commission shall, in consultation with the Independent System
4 Operator, give first priority to those geographical regions where
5 congestion reduces or impedes electrical transmission and supply.

6 (2) Consistent with the existing statutory authority of the
7 commission, afford electrical corporations a reasonable
8 opportunity to fully recover costs it determines are reasonable and
9 prudent to plan, finance, construct, operate, and maintain any
10 facilities under its jurisdiction required by this section.

11 (b) In consultation with the State Energy Resources
12 Conservation and Development Commission, adopt energy
13 conservation demand-side management and other initiatives in
14 order to reduce demand for electricity and reduce load during peak
15 demand periods. Those initiatives shall include, but not be limited
16 to, all of the following:

17 (1) Expansion and acceleration of residential and commercial
18 weatherization programs.

19 (2) Expansion and acceleration of programs to inspect and
20 improve the operating efficiency of heating, ventilation, and
21 air-conditioning equipment in new and existing buildings, to
22 ensure that these systems achieve the maximum feasible
23 cost-effective energy efficiency.

24 (3) Expansion and acceleration of programs to improve energy
25 efficiency in new buildings, in order to achieve the maximum
26 feasible reductions in uneconomic energy and peak electricity
27 consumption.

28 (4) Incentives to equip commercial buildings with the capacity
29 to automatically shut down or dim nonessential lighting and
30 incrementally raise thermostats during a peak electricity demand
31 period.

32 (5) Evaluation of installing local infrastructure to link
33 temperature setback thermostats to real-time price signals.

34 (6) Incentives for load control and distributed generation to be
35 paid for enhancing reliability.

36 (7) Differential incentives for renewable or super clean
37 distributed generation resources *pursuant to Section 379.6*.

38 (8) Reevaluation of all efficiency cost-effectiveness tests in
39 light of increases in wholesale electricity costs and of natural gas

1 costs to explicitly include the system value of reduced load on
2 reducing market clearing prices and volatility.

3 (c) In consultation with the Energy Resources Conservation
4 and Development Commission, adopt and implement a
5 residential, commercial, and industrial peak reduction program
6 that encourages electric customers to reduce electricity
7 consumption during peak power periods.

8 *SEC. 4.* Section 379.6 is added to the Public Utilities Code, to
9 read:

10 379.6. (a) The commission, in consultation with the State
11 Energy Resources Conservation and Development Commission,
12 shall until January 1, 2008, administer a self-generation incentive
13 program for distributed generation resources, in the same form as
14 exists on January 1, 2004.

15 (b) Notwithstanding subdivision (a), the self-generation
16 incentive program shall do all of the following:

17 (1) Commencing January 1, 2005, require all
18 combustion-operated distributed generation projects *using fossil*
19 *fuel* to meet an oxides of nitrogen (NO_x) emissions rate standard
20 of 0.14 pounds per megawatthour to be eligible for self-generation
21 rebates.

22 (2) Commencing January 1, 2007, require all
23 combustion-operated distributed generation projects ~~to be ultra~~
24 ~~clean and low emission distributed generation, as defined in~~
25 ~~Section 353.2, to be eligible for self-generation rebates. using~~
26 ~~fossil fuels to meet an oxides of nitrogen (NO_x) emissions rate~~
27 ~~standard of 0.07 pounds per megawatthour and a minimum~~
28 ~~efficiency of 60 percent, to be eligible for self-generation rebates.~~
29 ~~A minimum efficiency of 60 percent shall be measured as useful~~
30 ~~energy output divided by fuel input. The efficiency determination~~
31 ~~shall be based on 100 percent load.~~

32 (3) *Combined heat and power units that meet the 60 percent*
33 *efficiency standard may take a credit to meet the applicable oxides*
34 *of nitrogen (NO_x) emission standard of 0.14 pounds per*
35 *megawatthour or 0.07 pounds per megawatthour. Credit shall be*
36 *at the rate of one megawatthour for each 3.4 million British*
37 *Thermal Units (BTUs) of heat recovered.*

38 (4) Provide the commission with flexibility in administering
39 the self-generation incentive program, including, but not limited
40 to, flexibility with regard to the amount of rebates, inclusion of

- 1 other ultra clean and low emission distributed generation
- 2 technologies, and evaluation of other public policy interests,
- 3 including, but not limited to, ratepayers, and energy efficiency and
- 4 environmental interests.

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