

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1624**

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**Introduced by Assembly Member Gordon**

February 10, 2014

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1624, as amended, Gordon. Self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, adopted during the energy crisis of 2000–01, required the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission adopted Decision 01-03-073, dated March 27, 2001, that established program incentives for demand-responsiveness and self-generation that were modified in later decisions.

Existing law authorizes the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2014. Existing law requires the Public Utilities Commission to require electrical

corporations to administer the program for distributed energy resources originally established pursuant to the above-described law until January 1, 2016, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2016, to reduce ratepayer costs.

This bill would authorize the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2020, and would require the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described former law through and including December 31, 2021. The bill would require the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2022, to reduce ratepayer costs. *The bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and to evaluate the self-generation incentive program's progress toward reducing barriers to the adoption of distributed energy resources and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability.*

*Existing law limits eligibility for incentives under the self-generation incentive program to distributed energy resources that the Public Utilities Commission, in consultation with the State Air Resources Board, determines will achieve reductions in emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.*

*This bill would further limit eligibility for incentives under the self-generation incentive program to distributed energy resource technologies that the Public Utilities Commission determines meet specified additional requirements. The bill would require the commission to determine a capacity factor for each distributed generation system in the program and to define a capacity factor for energy storage systems in the program as the ratio of the total hours the energy storage system is used for charging and discharging throughout the year, as specified, to the total number of hours in the year.*

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill is within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

*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) (1) It is the intent of the Legislature that the  
4 self-generation incentive program increase deployment of  
5 distributed generation and energy storage systems to facilitate the  
6 integration of those resources into the electrical grid, improve  
7 efficiency and reliability of the distribution and transmission  
8 system, and reduce emissions of greenhouse gases, peak demand,  
9 and ratepayer costs. It is the further intent of the Legislature that  
10 the commission, in future proceedings, provide for an equitable  
11 distribution of the costs and benefits of the program.

12 (2) The commission, in consultation with the Energy  
13 Commission, may authorize the annual collection of not more than  
14 the amount authorized for the self-generation incentive program  
15 in the 2008 calendar year, through December 31, 2020. The  
16 commission shall require the administration of the program for  
17 distributed energy resources originally established pursuant to  
18 Chapter 329 of the Statutes of 2000 through and including  
19 December 31, 2021. On January 1, 2022, the commission shall  
20 provide repayment of all unallocated funds collected pursuant to  
21 this section to reduce ratepayer costs.

22 (3) The commission shall administer solar technologies  
23 separately, pursuant to the California Solar Initiative adopted by

1 the commission in Decisions 05-12-044 and 06-01-024, as modified  
2 by Article 1 (commencing with Section 2851) of Chapter 9 of Part  
3 2 of Division 1 of this code and Chapter 8.8 (commencing with  
4 Section 25780) of Division 15 of the Public Resources Code.

5 (b) Eligibility for incentives under the program shall be limited  
6 to distributed energy resources that the commission, in consultation  
7 with the State Air Resources Board, determines will achieve  
8 reductions in emissions of greenhouse gases pursuant to the  
9 California Global Warming Solutions Act of 2006 (Division 25.5  
10 (commencing with Section 38500) of the Health and Safety Code).

11 (c) Eligibility for the funding of any combustion-operated  
12 distributed generation projects using fossil fuel is subject to all of  
13 the following conditions:

14 (1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07  
15 pounds per megawatthour and a minimum efficiency of 60 percent,  
16 or any other NO<sub>x</sub> emissions rate and minimum efficiency standard  
17 adopted by the State Air Resources Board. A minimum efficiency  
18 of 60 percent shall be measured as useful energy output divided  
19 by fuel input. The efficiency determination shall be based on 100  
20 percent load.

21 (2) Combined heat and power units that meet the 60-percent  
22 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
23 emissions standard of 0.07 pounds per megawatthour. Credit shall  
24 be at the rate of one megawatthour for each 3.4 million British  
25 thermal units (Btus) of heat recovered.

26 (3) The customer receiving incentives shall adequately maintain  
27 and service the combined heat and power units so that during  
28 operation, the system continues to meet or exceed the efficiency  
29 and emissions standards established pursuant to paragraphs (1)  
30 and (2).

31 (4) Notwithstanding paragraph (1), a project that does not meet  
32 the applicable NO<sub>x</sub> emissions standard is eligible if it meets both  
33 of the following requirements:

34 (A) The project operates solely on waste gas. The commission  
35 shall require a customer that applies for an incentive pursuant to  
36 this paragraph to provide an affidavit or other form of proof that  
37 specifies that the project shall be operated solely on waste gas.  
38 Incentives awarded pursuant to this paragraph shall be subject to  
39 refund and shall be refunded by the recipient to the extent the  
40 project does not operate on waste gas. As used in this paragraph,

1 “waste gas” means natural gas that is generated as a byproduct of  
2 petroleum production operations and is not eligible for delivery  
3 to the utility pipeline system.

4 (B) The air quality management district or air pollution control  
5 district, in issuing a permit to operate the project, determines that  
6 operation of the project will produce an onsite net air emissions  
7 benefit, compared to permitted onsite emissions if the project does  
8 not operate. The commission shall require the customer to secure  
9 the permit prior to receiving incentives.

10 (d) In determining the eligibility for the self-generation incentive  
11 program, minimum system efficiency shall be determined either  
12 by calculating electrical and process heat efficiency as set forth in  
13 Section 216.6, or by calculating overall electrical efficiency.

14 (e) *In addition to the eligibility requirements specified in*  
15 *subdivisions (b), (c), and (d), eligibility for incentives under the*  
16 *program shall be limited to distributed energy resource*  
17 *technologies that the commission determines meet all of the*  
18 *following requirements:*

19 (1) *The distributed energy resource technology is capable of*  
20 *reducing demand from the grid by offsetting some or all of the*  
21 *customer’s onsite energy load, including, but not limited to, peak*  
22 *electric demand.*

23 (2) *The distributed energy resource technology is commercially*  
24 *available.*

25 (3) *The distributed energy resource technology safely utilizes*  
26 *the existing transmission and distribution system.*

27 (4) *The distributed energy resource technology reduces*  
28 *emissions of greenhouse gases.*

29 (5) *The distributed energy resource technology improves air*  
30 *quality by reducing criteria air pollutants.*

31 (f) *In administering the self-generation incentive program, the*  
32 *commission shall do both of the following:*

33 (1) *Determine a capacity factor for each distributed generation*  
34 *system in the program.*

35 (2) *Define a capacity factor for energy storage systems in the*  
36 *program as the ratio of the total hours the energy storage system*  
37 *is used for charging and discharging throughout the year, including*  
38 *the hours when the energy storage system is available for capacity*  
39 *applications even if not actively charging or discharging, to the*  
40 *total number of hours in the year.*

1     ~~(e)~~  
 2     (g) In administering the self-generation incentive program, the  
 3 commission may adjust the amount of rebates and evaluate other  
 4 public policy interests, including, but not limited to, ratepayers,  
 5 energy efficiency, peak load reduction, load management, and  
 6 environmental interests.

7     ~~(f)~~  
 8     (h) The commission shall ensure that distributed generation  
 9 resources are made available in the program for all ratepayers.

10    ~~(g)~~  
 11    (i) (1) In administering the self-generation incentive program,  
 12 the commission shall provide an additional incentive of 20 percent  
 13 from existing program funds for the installation of eligible  
 14 distributed generation resources from a California supplier.

15    (2) “California supplier” as used in this subdivision means any  
 16 sole proprietorship, partnership, joint venture, corporation, or other  
 17 business entity that manufactures eligible distributed generation  
 18 resources in California and that meets either of the following  
 19 criteria:

20    (A) The owners or policymaking officers are domiciled in  
 21 California and the permanent principal office, or place of business  
 22 from which the supplier’s trade is directed or managed, is located  
 23 in California.

24    (B) A business or corporation, including those owned by, or  
 25 under common control of, a corporation, that meets all of the  
 26 following criteria continuously during the five years prior to  
 27 providing eligible distributed generation resources to a  
 28 self-generation incentive program recipient:

29    (i) Owns and operates a manufacturing facility located in  
 30 California that builds or manufactures eligible distributed  
 31 generation resources.

32    (ii) Is licensed by the state to conduct business within the state.

33    (iii) Employs California residents for work within the state.

34    (3) For purposes of qualifying as a California supplier, a  
 35 distribution or sales management office or facility does not qualify  
 36 as a manufacturing facility.

37    ~~(h)~~  
 38    (j) The costs of the program adopted and implemented pursuant  
 39 to this section shall not be recovered from customers participating  
 40 in the California Alternate Rates for Energy (CARE) program.

1 (k) (1) The commission shall evaluate the overall success and  
2 impact of the self-generation incentive program based on the  
3 following performance measures:

4 (A) The amount of reductions of emissions of greenhouse gases.

5 (B) The amount of reductions of emissions of criteria air  
6 pollutants measured in terms of avoided emissions and reductions  
7 of criteria air pollutants represented by emissions credits secured  
8 for project approval.

9 (C) The amount of energy reductions measured in energy value.

10 (D) The amount of reductions of aggregate noncoincident  
11 customer peak demand.

12 (E) The ratio of the electricity generated by distributed energy  
13 resource projects receiving incentives from the program to the  
14 electricity capable of being produced by those distributed energy  
15 resource projects, commonly known as a capacity factor.

16 (F) The value to the electrical transmission and distribution  
17 system measured in avoided costs of transmission and distribution  
18 upgrades and replacement.

19 (G) The ability to improve onsite electricity reliability.

20 (2) In addition to evaluating the program based on the  
21 performance measures specified in paragraph (1), the commission  
22 shall also evaluate both of the following:

23 (A) The program's progress toward reducing barriers to the  
24 adoption of distributed energy resources, including, but not limited  
25 to, interconnection costs and the length of time to complete  
26 interconnection.

27 (B) The program's effectiveness in providing frequency  
28 regulation, voltage support, demand reduction, peak shaving, ramp  
29 rate control, and other wholesale ancillary and grid reliability  
30 services.

31 SEC. 2. No reimbursement is required by this act pursuant to  
32 Section 6 of Article XIII B of the California Constitution because  
33 the only costs that may be incurred by a local agency or school  
34 district will be incurred because this act creates a new crime or  
35 infraction, eliminates a crime or infraction, or changes the penalty  
36 for a crime or infraction, within the meaning of Section 17556 of  
37 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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