

**ASSEMBLY BILL**

**No. 674**

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**Introduced by Assembly Member Mullin**

February 25, 2015

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An act to add Section 354 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 674, as introduced, Mullin. Electricity: distributed generation.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to require each electrical corporation under the operational control of the Independent System Operator as of January 1, 2001, to modify tariffs so that all customers that install new distributed energy resources, as defined, in accordance with specified criteria are served under rates, rules, and requirements identical to those of a customer within the same rate schedule that does not use distributed energy resources, and to withdraw any provisions in otherwise applicable tariffs that activate other tariffs, rates, or rules if a customer uses distributed energy resources. Existing law provides, notwithstanding these requirements, that a customer that installs new distributed energy resources not be exempted from (1) reasonable interconnection charges, (2) charges imposed pursuant to the Reliable Electric Service Investment Act, and (3) charges imposed to repay the Department of Water Resources for electricity procurement expenses incurred in response to the electricity crisis of 2000–01. Existing law requires the commission, in establishing

the rates applicable to customers that install new distributed energy resources, to create a firewall that segregates distribution cost recovery so that any net costs, taking into account the actual costs and benefits of distributed energy resources, proportional to each customer class, as determined by the commission, resulting from the tariff modifications granted to members of each customer class may be recovered only from that class.

This bill would, to the extent authorized by federal law, require the commission, by July 1, 2016, to do both of the following for those electrical corporation customers that have installed clean distributed energy resources, as defined, prior to January 1, 2016: (1) require each electrical corporation to collect all applicable nonbypassable charges fixed, implemented, administered, or imposed by the commission based only on the actual metered consumption of electricity delivered to the customer through the electrical corporation's transmission or distribution system, which charges are to be at the same rate per kilowatthour as paid by other customers that do not employ a clean distributed energy resource, and (2) calculate a reservation capacity for standby service, if applicable, based on the capacity needed by an electrical corporation to serve a customer's electrical demand during an outage of the clean distributed energy resource providing electric service for that customer. The bill would require the State Energy Resources Conservation and Development Commission to report to the Legislature and the relevant policy committees of the Legislature on the impact of the program upon specified matter by July 1, 2021.

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 provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new 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. The Legislature finds and declares all of the  
2 following:

3 (a) Clean onsite generation of electricity yields multiple benefits,  
4 including increased electrical reliability and efficiency, reduced  
5 emissions of greenhouse gases and oxides of nitrogen (NO<sub>x</sub>), and  
6 electrical grid resiliency.

7 (b) In 2011, Governor Jerry Brown released a Clean Energy  
8 Jobs Plan that called for 12,000 megawatts of localized electrical  
9 generation, also known as distributed generation, to maximize  
10 energy efficiency and minimize environmental impacts, while  
11 increasing reliability and security.

12 (c) Increased deployment of clean onsite electrical generation  
13 reduces the need for generation that emits higher levels of  
14 greenhouse gases that contribute to climate change and higher  
15 levels of NO<sub>x</sub> that contribute to smog formation.

16 (d) Several types of clean onsite electrical generation  
17 technologies currently exist and others are being developed, with  
18 many being developed and manufactured in California.

19 (e) Residential, commercial, and industrial customers are willing  
20 to invest their own capital to install clean onsite generation  
21 technologies.

22 (f) Nonbypassable charges create an economic barrier to the  
23 installation of clean onsite electrical generation and, as a result,  
24 prevent cost savings for all ratepayers and environmental benefits  
25 for all Californians.

26 (g) Among states with similarly high energy prices and  
27 environmental goals, California is the only state that allows  
28 electrical corporations to apply nonbypassable charges to electricity  
29 produced and consumed onsite.

30 (h) Ratepayers would see a net cost savings from increased  
31 deployment of onsite electricity generation at customer sites that  
32 pay nonbypassable charges only on their electricity purchases from  
33 the grid. This ratepayer savings arises because onsite electricity  
34 generation reduces demand on the electrical grid, which reduces  
35 market electricity prices, and avoids transmission and distribution  
36 costs and energy losses.

37 (i) Other cost-saving benefits to all ratepayers from clean onsite  
38 electrical generation include reductions in future generating

1 capacity requirements, reductions in electrical grid congestion  
2 prices, reductions in emissions of greenhouse gases and criteria  
3 air pollutants, and increases in electrical grid resiliency and  
4 security.

5 SEC. 2. Section 354 is added to the Public Utilities Code, to  
6 read:

7 354. (a) As used in this section, “clean distributed energy  
8 resource” means a facility that is located on the customer’s  
9 premises and generates electricity, or electricity and useful heat,  
10 where the electricity generated is used for a purpose described in  
11 paragraph (1) or (2) of subdivision (b) of Section 218, and that  
12 meets either of the following requirements:

13 (1) It meets all of the following criteria:

14 (A) Has a carbon dioxide (CO<sub>2</sub>) emissions rate, including credit  
15 for waste heat recovery, where applicable, and savings on  
16 transmission and distribution losses, that is no greater than 437  
17 kilograms per megawatt-hour.

18 (B) Has an oxide of nitrogen (NO<sub>x</sub>) emissions rate, including  
19 credit for waste heat recovery, when applicable, that is less than  
20 or equal to 0.07 pounds per megawatt-hour, or a lower NO<sub>x</sub>  
21 emissions rate that the State Air Resources Board determines  
22 reflects the best performance achieved in practice by existing  
23 electrical generation technologies pursuant to Section 41514.9 of  
24 the Health and Safety Code.

25 (C) Has a nameplate rated generation capacity of 20 megawatts  
26 or less.

27 (D) Is sized to meet the electrical demand of, or use the available  
28 waste heat of, the customer that will be served by the generating  
29 facility.

30 (2) It is an “eligible renewable energy resource” pursuant to the  
31 California Renewables Portfolio Standard Program (Article 16  
32 (commencing with Section 399.11)), has a nameplate rated  
33 generation capacity of 20 megawatts or less, is sized to meet the  
34 electrical demand of the customer that will be served by the  
35 generating facility, and will not otherwise be addressed in the  
36 commission’s implementation of Section 769 or 2827.1.

37 (b) To the extent authorized by federal law, by July 1, 2016, the  
38 commission shall require each electrical corporation to do the  
39 following for customers served by clean distributed energy  
40 resources installed prior to January 1, 2016:

1 (1) Collect all applicable nonbypassable charges fixed,  
2 implemented, administered, or imposed by the commission based  
3 only on the actual metered consumption of electricity delivered to  
4 the customer through the electrical corporation's transmission or  
5 distribution system. All charges shall be at the same rate per  
6 kilowatthour as paid by other customers that do not employ a clean  
7 distributed energy resource under the electrical corporation's  
8 applicable rate schedule.

9 (2) (A) Calculate a reservation capacity for standby service, if  
10 applicable, based on the capacity needed by an electrical  
11 corporation to serve a customer's electrical demand during an  
12 outage of the clean distributed energy resource providing electric  
13 service for that customer.

14 (B) Initial reservation capacity shall be established by the  
15 customer for a minimum of 12 months based on the clean  
16 distributed energy resource generation technology's historical  
17 operation, the number, size, and outage diversity of the clean  
18 distributed energy resource, and the annual average reduction of  
19 customer load that could occur during an outage.

20 (C) If after the initial 12-month period, the electrical corporation  
21 reasonably determines that the reservation capacity does not reflect  
22 the customer's actual standby demand, averaged over the previous  
23 12 months, the electrical corporation shall modify the reservation  
24 capacity once every 12 months to reflect the customer's actual  
25 average annual reservation capacity based on the same criteria  
26 used to establish the initial reservation capacity. Calculation of  
27 actual average annual reservation capacity shall exclude the  
28 customer's electrical demand served by the electrical corporation  
29 within 24 hours following an outage of the clean distributed energy  
30 resource resulting from any event on the electrical corporation's  
31 transmission or distribution grid that is outside of the customer's  
32 control that requires the customer to reduce onsite generation.

33 (c) (1) By July 1, 2021, the Energy Commission, in consultation  
34 with the commission, shall report to the Legislature and the relevant  
35 policy committees of the Legislature on all of the following:

36 (A) Avoided transmission and distribution costs.

37 (B) Avoided energy losses.

38 (C) Wholesale electricity market prices.

39 (D) Electricity costs to ratepayers.

40 (E) Air quality.

- 1 (F) Emissions of greenhouse gases.
- 2 (G) Job creation.
- 3 (H) Energy reliability.
- 4 (I) The extent to which the incentives provided by the program
- 5 contribute to achieving the state’s distributed generation and
- 6 combined heat and power goals.
- 7 (2) The report to be submitted pursuant to this subdivision shall
- 8 be submitted in compliance with Section 9795 of the Government
- 9 Code.
- 10 (3) The requirement for submitting a report pursuant to this
- 11 subdivision is inoperative on July 1, 2025, pursuant to Section
- 12 10231.5 of the Government Code.
- 13 SEC. 3. No reimbursement is required by this act pursuant to
- 14 Section 6 of Article XIII B of the California Constitution because
- 15 the only costs that may be incurred by a local agency or school
- 16 district will be incurred because this act creates a new crime or
- 17 infraction, eliminates a crime or infraction, or changes the penalty
- 18 for a crime or infraction, within the meaning of Section 17556 of
- 19 the Government Code, or changes the definition of a crime within
- 20 the meaning of Section 6 of Article XIII B of the California
- 21 Constitution.