

SENATE THIRD READING
SB 700 (Wiener)
As Amended August 24, 2018
Majority vote

SENATE VOTE: 23-13

Committee	Votes	Ayes	Noes
Utilities	14-1	Holden, Burke, Chen, Cunningham, Eggman, Gallagher, Eduardo Garcia, Mayes, Muratsuchi, Quirk, Reyes, Santiago, Ting, Friedman	Patterson
Appropriations	12-0	Gonzalez Fletcher, Bloom, Bonta, Calderon, Carrillo, Chau, Eggman, Friedman, Eduardo Garcia, Nazarian, Quirk, Reyes	

SUMMARY: Extends the authorization for the Self Generation Incentive Program (SGIP) for five additional years. Specifically, **this bill:**

- 1) Authorizes the California Public Utilities Commission (CPUC) to collect and spend \$166 million per year from the customers of electric and gas corporations (IOUs) to fund incentive payments for distributed energy resources (DERs) for five additional years.
- 2) Authorizes a non-bypassable charge on IOU customers through 2024 and the use of those collected funds through 2026.
- 3) Requires the CPUC to adopt requirements for energy storage systems to ensure that the use of the systems reduce greenhouse gas (GHG) emissions.
- 4) Prohibits the CPUC from funding technologies that use non-renewable fuels after January 1, 2020.

FISCAL EFFECT: According to the Assembly Appropriations Committee, annual costs of approximately \$160,000 (special fund) to the CPUC to administer and oversee the program.

COMMENT:

Self-Generation Incentive Program. California's SGIP was established in 2001 by the CPUC in response to AB 970 (Ducheny, Chapter 329, Statutes of 2000). AB 970 was adopted in response to the energy crisis and intended to provide incentives for distributed generation resources to reduce peak energy demand. Since 2001, the Legislature has refined and extended SGIP several times. During 2014 and 2015, the CPUC acted to extend SGIP funding through 2019 and updated program eligibility criteria related to GHG emissions, pursuant to SB 861 (Committee on Budget and Fiscal Review, Chapter 35, Statutes of 2014). In 2016, the CPUC made significant programmatic changes for how SGIP incentive dollars are awarded and other program

refinements. In 2016 AB 1637 (Low, 2016) gave the CPUC the authority to double collections for SGIP from \$83 million annually to \$166 million.

The SGIP provides incentives to support existing, new, and emerging distributed energy resources. SGIP provides rebates for qualifying distributed energy systems installed on the customer's side of the utility meter that the CPUC, in consultation with CARB, determines will achieve reductions in GHG emissions. Qualifying technologies include wind turbines, waste heat to power technologies, pressure reduction turbines, internal combustion engines, microturbines, gas turbines, fuel cells, and advanced energy storage systems.

The program has several goals:

- 1) Environment – reduce GHGs, integrate renewables and reduce criteria air pollutants;
- 2) Grid support– reduce or shift peak demand, reduce grid costs, provide ancillary services;
- 3) Market transformation – support technologies that have the potential to thrive in future years without rebates; and
- 4) Maximize ratepayer value and ensure equitable distribution of costs and benefits.

SGIP is funded through annual collections from customers in the amount of \$166 million per year through 2019. SGIP allocates 85% of the funds to energy storage technologies.

Earlier this year the CPUC established an "Equity Budget" for SGIP to ensure that a portion of the SGIP budget will be reserved for projects that are located in disadvantaged and low-income communities and for customers that meet specific eligibility requirements. The objective of the investments is to: 1) bring positive economic and workforce development opportunities to the state's most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, which are exposed to some of the poorest air quality in the state; and 3) to ensure that low-income customers, and non-profit or public sector organizations in disadvantaged or low-income communities, have access to energy storage resources.

Customer-sited Storage. The SGIP program has funded storage on the customer's side of the meter for several years. The "2016 Energy Storage Impact Evaluation" revealed that the operation of these storage systems resulted in hundreds of tons of GHG emissions in 2016. SGIP technologies are required to reduce GHGs in order to be eligible for incentives. The systems also showed an increase to peak demand from SGIP energy storage systems under 30 kilowatts in size. This resulted in a failure to maximize ratepayer value of SGIP energy storage fleet due to increased marginal utility costs from systems under 30kW in size. The CPUC is pursuing program revisions to address these issues. This bill mandates that the CPUC complete this work.

Fossil-fuel Eligibility. From its inception, this program has subsidized technologies on the customer's side of the meter which use natural gas, propane, and gasoline but does currently prioritize renewable projects and storage. The technologies that use gas today are primarily turbines, typically associated with combined heat and power, and fuel cells. Although they do not emit criteria pollutants, fuel cells which use natural gas do have GHG emissions on par with natural gas powerplants. This bill would not eliminate eligibility for fuel cells or gas turbines but

eligibility would be contingent on the use of renewable fuels which are biodiesel or gas derived from digester gas, landfill gas or biomass.

Analysis Prepared by: Kellie Smith / U. & E. / (916) 319-2083

FN: 0004850