

Senate Bill No. 700

CHAPTER 839

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

[Approved by Governor September 27, 2018. Filed with Secretary of State September 27, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 700, Wiener. Self-generation incentive program.

Existing law requires the Public Utilities Commission (PUC) to open a proceeding to determine appropriate targets, if any, for each load-serving entity, as defined, to procure viable and cost-effective energy storage systems to be achieved by December 31, 2015, and December 31, 2020. If determined to be appropriate, the commission is required to adopt the procurement targets, by October 1, 2013, and to reevaluate the determinations not less than once every 3 years. Existing law excludes an electrical corporation that has 60,000 or fewer customer accounts within California from these requirements.

In response to a requirement 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, the PUC adopted decisions establishing a self-generation incentive program. Existing law authorizes the PUC to authorize the annual collection of not more than double the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2019. Existing law requires the PUC to require electrical corporations to administer the program for distributed energy resources established pursuant to the above-described law until January 1, 2021, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the PUC to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2021, to reduce ratepayer costs. Existing law requires the PUC, on or before July 1, 2015, to update the factor for avoided emissions of greenhouse gases, as provided, to determine eligibility for participation in the program.

This bill would extend the collection for the self-generation incentive program to December 31, 2024, and the administration of the program to January 1, 2026. The bill would require the commission to adopt requirements for energy storage systems to ensure that eligible energy storage systems reduce the emissions of greenhouse gases. The bill would specify that generation technologies using nonrenewable fuels are not eligible for incentives under the program on and after January 1, 2020.

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 a violation of an order or decision of the commission implementing the requirements of this bill 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.

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

(2) The commission, in consultation with the Energy Commission, may authorize the annual collection of not more than double the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2024. The commission shall require the administration of the program for distributed energy resources originally established pursuant to Chapter 329 of the Statutes of 2000 until January 1, 2026. On January 1, 2026, the commission shall provide repayment of all unallocated funds collected pursuant to this section to reduce ratepayer costs.

(3) The commission shall administer solar technologies separately, pursuant to the California Solar Initiative adopted by the commission in Decisions 05-12-044 and 06-01-024, as modified by Article 1 (commencing with Section 2851) of Chapter 9 of Part 2 of Division 1 of this code and Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code.

(b) (1) Eligibility for incentives under the self-generation incentive program shall be limited to distributed energy resources that the 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 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code).

(2) On or before July 1, 2015, the commission shall update the factor for avoided greenhouse gas emissions based on both the most recent data available to the State Air Resources Board for greenhouse gas emissions from electricity sales in the self-generation incentive program administrators' service areas and current estimates of greenhouse gas emissions over the useful life of the distributed energy resource, including consideration of the effects of the California Renewables Portfolio Standard.

(3) The commission shall adopt requirements for energy storage systems to ensure that eligible energy storage systems reduce the emissions of greenhouse gases.

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

(1) An oxides of nitrogen (NO_x) emissions rate standard of 0.07 pounds per megawatthour and a minimum efficiency of 60 percent, or any other NO_x emissions rate and minimum efficiency standard adopted by the State Air Resources Board. 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.

(2) Combined heat and power units that meet the 60-percent efficiency standard may take a credit to meet the applicable NO_x emissions standard of 0.07 pounds per megawatthour. Credit shall be at the rate of one megawatthour for each 3,400,000 British thermal units (Btus) of heat recovered.

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

(4) Notwithstanding paragraph (1), a project that does not meet the applicable NO_x emissions 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.

(d) In determining the eligibility for the self-generation incentive program, minimum system efficiency shall be determined either by calculating

electrical and process heat efficiency as set forth in Section 216.6, or by calculating overall electrical efficiency.

(e) Eligibility for incentives under the program shall be limited to distributed energy resource technologies that the commission determines meet all of the following requirements:

(1) The distributed energy resource technology shifts onsite energy use to off-peak time periods or reduces demand from the grid by offsetting some or all of the customer's onsite energy load, including, but not limited to, peak electric load.

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

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

(4) The distributed energy resource technology improves air quality by reducing criteria air pollutants.

(f) Recipients of the self-generation incentive program funds shall provide relevant data to the commission and the State Air Resources Board, upon request, and shall be subject to onsite inspection to verify equipment operation and performance, including capacity, thermal output, and usage to verify criteria air pollutant and greenhouse gas emissions performance.

(g) In administering the self-generation incentive program, the commission shall determine a capacity factor for each distributed generation system energy resource technology in the program.

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

(2) The commission shall consider the relative amount and the cost of greenhouse gas emissions reductions, peak demand reductions, system reliability benefits, and other measurable factors when allocating program funds between eligible technologies.

(i) The commission shall ensure that distributed generation resources are made available in the program for all ratepayers.

(j) In administering the self-generation incentive program, the commission shall provide an additional incentive of 20 percent from existing program funds for the installation of eligible distributed generation resources manufactured in California.

(k) The costs of the program adopted and implemented pursuant to this section shall not be recovered from customers participating in the California Alternate Rates for Energy (CARE) program.

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

(1) The amount of reductions of emissions of greenhouse gases.

(2) The amount of reductions of emissions of criteria air pollutants measured in terms of avoided emissions and reductions of criteria air pollutants represented by emissions credits secured for project approval.

(3) The amount of energy reductions measured in energy value.

(4) The amount of reductions of customer peak demand.

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

(6) The value to the electrical transmission and distribution system measured in avoided costs of transmission and distribution upgrades and replacement.

(7) The ability to improve onsite electricity reliability as compared to onsite electricity reliability before the self-generation incentive program technology was placed in service.

(m) On and after January 1, 2020, generation technologies using nonrenewable fuels shall not be eligible for incentives under the self-generation incentive program.

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