

M e m o r a n d u m

Date: June 2, 2010

To: The Commission
(Meeting of June 24, 2010)

From: Edward Randolph, Director
Office of Governmental Affairs (OGA) — Sacramento

**Subject: AB 2724 (Blumenfield) – Governmental Renewable Energy-
Self Generation Program.
As Amended: April 27, 2010**

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: OPPOSE UNLESS
AMENDED

SUMMARY OF BILL:

The bill, sponsored by the Department of General Services, modifies the existing Renewable Self-Generation Bill Credit Transfer program created by AB 2466 (Laird, 2008) to allow state facilities to qualify for a nearly identical tariff. In addition, the bill makes a dramatic modification to the California Solar Initiative to increase system size to 5 MW for state facilities only.

- The bill amends Public Utilities (PU) Code Section 2830 of the Public Utilities Code, created by AB 2466 (Laird, 2008) related to a Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Program to clarify that the code section applies only to local governments.
- The bill creates PU Code Section 2831 to mirror the exact same program as Section 2830, but only makes the program available to State government facilities. The program for state facilities would be open to up to 500 MW of generation, in addition to the existing 250 MW for the local governments under PU Code 2830. The program for state facilities would have no per-project size limitation.
- The bill creates PU Code Section 2832, which requires Publicly Owned Utilities to also offer a RES-BCT program in Publicly Owned Utility territories.

- The bill modifies PU Code Section 2851, related to the California Solar Initiative's (CSI's) program requirements, to allow that the maximum eligible project size for CSI would increase for State facilities only from 1 MW to 5MW.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

- **Oppose expanding the program in a preferential fashion to only state facilities.** The RES-BCT program has an extremely weak outlook for helping foster new renewable generation in the state. It offers a generation-only rate as compensation for net exports of power. Customers are far better off under net energy metering. Nonetheless, the RES-BCT program exists per PU Code 2830 – and there is no justification to limiting the tariff to just local governments (as it is today) or to just local governments and state facilities (as proposed in this bill). If PU Code 2830's eligibility is modified, it should be modified to allow any customer to participate in the program.
- **Changing the program size should be opposed.** The legislation proposes to increase the program size from 250 MW under the local government program, to an additional 500 MW just for state facilities. It is premature to increase the size of the program given that the tariffs have only recently been approved by the CPUC in Resolution E-4283, issued April 26, 2010.

The RES-BCT program is extremely limited in terms of the quantity of compensation offered to facilities and thus unlikely to have significant customer interest. If there is significant customer interest, the CPUC should have time to monitor the program to ensure that there is no cost-shifting between customer classes, as per PU Code 2830 (d). By dramatically changing the total program size limit before the program has even started, the bill will impede the CPUC's ability to carefully observe the uptake of the program.

- **Eliminating the per-project cap in the RES-BCT program for only State facilities is discriminatory.** PU Code 2830 is currently limited to generation facilities that are 1 MW or less. As proposed, PU Code 2831 would have no such limit for State facilities on per-project size. The existing per-project size limit is a good idea to give the Commission an ability to watch the program, and to maintain the intention of the program to support projects designed to support onsite load, and not export/wholesale projects.¹ To change the per-project size limit just for state facilities is discriminatory. The larger projects belong as wholesale projects, and they should seek a wholesale RPS contract – either through the existing feed-in tariffs, or other wholesale contract procurement mechanism. If the projects are larger than 1 MW and yet still smaller than load – then there is no need for a RES-

¹ The CPUC supported the introduction of a 1 MW per project cap in its comments on the proposed AB 2466 (Laird, 2008). The original bill had proposed a program open to 20 MW.

BCT tariff, a NEM tariff, or a wholesale contract. In such a case the project is solely offsetting onsite load and can stay on its existing tariff.

- **Changing the CSI Project Size from 1 MW to 5MW for only state facilities should be opposed.** The CSI Program has already seen strong demand for the CSI program with the project size capped at 1 MW. The 1 MW project cap is well-suited to allow program participation from a variety of customers, and it is also synchronized with the 1 MW per project limit of the Net Energy Metering cap, per PU Code 2827. Outside of the legislative process, the CSI Program is considering a modification to the CSI Program Handbook's "Site Definition" that will allow large campuses (such as a university, military base, or correctional facility) behind one meter to have multiple CSI "sites". The CSI Program can put this change into effect without sacrificing the policy goal of having a wide array of program participants and without any change to PU Code 2851. Finally, the 1 MW project size could be changed in a more modest fashion (perhaps a doubling to 2 MW – which would still be significant) and applied to all participants including large private commercial and industrial facilities, instead of giving a special preference for state government.

The CSI Program has seen an unprecedented level of demand in March and April 2010, we have received 54 MW of reservations in March and 92 MW in April. Given the current demand level, there is reason to be extremely concerned that introducing 5 MW projects at this stage in the program will allow a handful of large MW-sized projects to "hold" a reservation, and perhaps not ultimately get developed. If so, many subsequent smaller projects could be forced into lower-step incentive reservations.

Finally, as written the size cap increase has an ambiguous statement that the project size cap is lifted until "not more than one half of 1 percent." It is entirely unclear what this is a percent of and could be interpreted as a portion of total cost, total generating capacity, etc. This likely is due to an error in bill drafting and will need to be corrected if the bill progresses.

- **Assigning the CPUC and or the California Independent System Operator (ISO) the ability to determine eligibility for generating facilities is not feasible and should be opposed.** The bill introduces a new and inappropriate concept that the CPUC and the CAISO could be responsible for determining which individual distributed generation systems to interconnect. Interconnection of systems of this size is the responsibility of the investor-owned utilities (IOUs), under oversight of the CPUC which approves utility interconnection tariffs, but not individual connections.
- **The bill creates a new Sections of Code – PU Code 2831 – that is almost entirely redundant to PU Code 2830.** The only difference between PU Code 2830 (existing) and PU Code 2831 (proposed) is the eligible entity: local

government vs. state facilities. There is no need to create entirely redundant code sections.

SUMMARY OF SUGGESTED AMENDMENTS:

- Delete PU Code Sections 2831.
 - Allow "all customers" to qualify as the eligible program participants in PU Code Section 2830, or
 - At least modify PU Code 2830 to include "state agencies" and eliminate the redundant PU Code 2831.
- Delete 500 MW program cap. Leave the cap at 250 MW, as currently exists in Section 2830.
- Delete CSI project size increase (and related confusing language) from Section 2851
 - Any project size change should apply to all customers, not just state facilities.
 - Any mentions of "limits of one half of 1 percent" need to be clarified as to the intended meaning.

For an eligible state renewable generating facilities authorized by Section 2831, the commission shall authorize the award of monetary incentives for up to five megawatts of alternating current generated by solar energy systems that meet the eligibility criteria established by the Energy Commission. The commission shall limit the incentives provided for eligible state renewable generating facilities for that portion of the generating capacity that is greater than one megawatt, to not more than one-half of 1 percent, to ensure that those facilities do not receive an unreasonable portion of the available incentives under the program and to ensure that the goals and purposes identified in Section 25780 of the Public Utilities Code are achieved.

- Delete 2831 (b)(5) which has inappropriate language giving CPUC and CAISO responsibility for interconnection determinations.
 - ...A state agency may elect to receive electric service pursuant to this section, if all of the condition is met:
 - 2831 (b) (5)The commission has given approval for the eligible state renewable generation facility to interconnect to that portion of the grid that is under its jurisdiction or the Independent System Operator has given approval for the facility to interconnect to the transmission system under its operative control.
- If PU Code 2831 remains, fix typo in 2831 (a)(2)

- There is a typo in 2831 (a)(2) that states "is not utilized onsite by the local government". The words "local government" should be "state agency" to be consistent with all the other language changes in PU Code 2831.

DIVISION ANALYSIS (Energy Division):

- The impact on the CPUC would be significant and a large amount of staff resources would be required to clarify and explain modifications to PU Code 2830 and 2851, as well as additions of Sections 2831 and 2832. Two additional PURA Vs would be needed to clarify, implement, and explain this bill to customers.
- The CPUC did not include a fiscal impact of PU Code 2830 when it was initially introduced under the expectation that the workload would be minor and absorbable. In the years since that time, the code section has in fact created a large burden on existing CPUC staff who have been called upon to oversee the implementation of the code section and answer countless inquiries from potential users of the tariff who are frustrated by the fact that the tariff offers a "generation only" rate instead of net metering, which offers compensation at the higher "full retail rate".
- Any continued changes to the RES-BCT or CSI programs will cause significant work load impact on the Energy Division.

PROGRAM BACKGROUND:

None.

LEGISLATIVE HISTORY:

- AB 2466 (Laird, Ch. 540, 2008) required Investor Owned Utilities to file tariffs in compliance with PU Code 2830 relating to a Local Government Renewable Energy Self-Generation Program (RES-BCT).
- AB 1031 (Blumenfeld, Ch 380, 2009) modified the RES-BCT program before its launch to allow college campuses to be included in the definition of PU Code 2830 eligible entities.

STATUS:

This bill was passed to the Assembly Floor on May 28, 2010 by the Assembly Appropriations Committee (Suspense File).

SUPPORT/OPPOSITION:

Support: Department of General Services (sponsor)

Pacific Gas & Electric Company (if amended)

Opposition: None on file.

STAFF CONTACTS:

Alicia Priego, Deputy Director-OGA (916) 322-8858 arp@cpuc.ca.gov

Date: June 2, 2010

BILL LANGUAGE:

BILL NUMBER: AB 2724 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 27, 2010
AMENDED IN ASSEMBLY APRIL 19, 2010
AMENDED IN ASSEMBLY MARCH 23, 2010

INTRODUCED BY Assembly Member Blumenfield

FEBRUARY 19, 2010

An act to amend Sections 2830 and 2851 of, to amend the heading of Chapter 7.5 (commencing with Section 2830) of Part 2 of Division 1 of, and to add ~~Section 2831~~ *Sections 2831 and 2832* to, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2724, as amended, Blumenfield. Governmental Renewable Energy ~~Self-generation~~ *Self-Generation* Program.

(1) Under existing law, the Public Utilities Commission (CPUC) has regulatory authority over public utilities, including electrical corporations, as defined. The Local Government Renewable Energy Self-Generation Program authorizes a local government, as defined, to receive a bill credit, as defined, to be applied to a designated benefiting account for electricity exported to the electrical grid by an eligible renewable generating facility, as defined, and requires the commission to adopt a rate tariff for the benefiting account.

This bill would rename the program the Governmental Renewable Energy Self-Generation Program. The bill would authorize a state agency, as defined, to receive a bill credit to be applied to a designated benefiting account for electricity exported to the electrical grid by an eligible state renewable generating facility, as defined ~~—and—~~ . *The bill, in the case of an eligible state renewable generating facility interconnected with the facilities of an electrical corporation,* would require the CPUC to adopt a rate tariff for the benefiting account.

(2) Decisions of the CPUC adopted the California Solar Initiative. Existing law requires the CPUC to undertake certain steps in implementing the California Solar Initiative including the requirement that the CPUC authorize the award of monetary incentives for up to the first megawatt of alternating current generated by solar energy systems, as defined, that meet the eligibility criteria established by the State Energy Resources Conservation and Development Commission (Energy Commission).

This bill would require the CPUC to authorize the award of monetary incentives for up to 5 megawatts of alternating current generated by an eligible state renewable generating facility that

meets the eligibility criteria established by the Energy Commission for the California Solar Initiative. The bill would require the CPUC to limit any incentives provided for eligible state renewable generating facilities, as specified, to ensure that those facilities do not receive an unreasonable portion of the available incentives under the California Solar Initiative and to ensure that certain goals and purposes of the California Solar Initiative are achieved.

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

Because certain of the provisions of this bill require action by the CPUC to implement, a violation of these CPUC-imposed requirements would impose a state-mandated local program by creating a new crime.

(4) 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:

SECTION 1. The heading of Chapter 7.5 (commencing with Section 2830) of Part 2 of Division 1 of the Public Utilities Code is amended to read:

CHAPTER 7.5. GOVERNMENTAL RENEWABLE ENERGY SELF-GENERATION PROGRAM

SEC. 2. Section 2830 of the Public Utilities Code is amended to read:

2830. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electric service account, or more than one account, located within ~~a~~ the geographical boundaries of a local government or, for a campus, within the geographical boundary of the city, county, or city and county in which the campus is located, that is mutually agreed upon by the local government or campus and an electrical corporation.

(2) "Bill credit" means an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible local government renewable generating facility that are exported to the grid during the corresponding time period. Electricity is exported to the grid if it is generated by an eligible local government renewable generating facility, is not utilized onsite by the local government, and the electricity flows through the meter site and on to the electrical corporation's distribution or transmission infrastructure.

(3) "Campus" means an individual community college campus,

individual California State University campus, or individual University of California campus.

(4) "Eligible local government renewable generating facility" means a generation facility that meets all of the following requirements:

(A) Has a generating capacity of no more than one megawatt.

(B) Is an eligible renewable energy resource, as defined in Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1.

(C) Is located within the geographical boundary of the local government or, for a campus, within the geographical boundary of the city or city and county, if the campus is located in an incorporated area, or county, if the campus is located in an unincorporated area.

(D) Is owned by, operated by, or on property under the control of, the local government or campus. For these purposes, premises that are leased by a local government or campus are under the control of the local government or campus.

(E) Is sized to offset all or part of the electrical load of the benefiting account.

(5) "Generating account" means the time-of-use electric service account of the local government or campus where the eligible local government renewable generating facility is located.

(6) "Local government" means a city, county, whether general law or chartered, city and county, special district, school district, political subdivision, or other local public agency, but shall not mean a joint powers authority, the state or any agency or department of the state, other than an individual campus of the University of California or the California State University.

(b) Subject to the limitation in subdivision (h), a local government may elect to receive electric service pursuant to this section, if all of the following conditions are met:

(1) The local government designates one or more benefiting accounts to receive a bill credit.

(2) A benefiting account receives service under a time-of-use rate schedule.

(3) The benefiting account is the responsibility of, and serves property that is owned, operated, or on property under the control of the same local government that owns, operates, or controls the eligible local government renewable generating facility.

(4) The electrical output of the eligible local government renewable generating facility is metered for time of use to allow calculation of the bill credit based upon when the electricity is exported to the grid.

(5) All costs associated with the metering requirements of paragraphs (2) and (4) are the responsibility of the local government.

(6) All costs associated with interconnection are the responsibility of the local government. For purposes of this paragraph, "interconnection" has the same meaning as defined in Section 2803, except that it applies to the interconnection of an eligible local government renewable generating facility rather than the energy source of a private energy producer.

(7) The local government does not sell electricity exported to the electrical grid to a third party.

(8) All electricity exported to the grid by the local government

that is generated by the eligible local government renewable generating facility becomes the property of the electrical corporation to which the facility is interconnected, but shall not be counted toward the electrical corporation's total retail sales for purposes of Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1. Ownership of the renewable energy credits, as defined in Section 399.12, shall be the same as the ownership of the renewable energy credits associated with electricity that is net metered pursuant to Section 2827.

(c) (1) A benefiting account shall be billed for all electricity usage, and for each bill component, at the rate schedule applicable to the benefiting account, including any cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(2) The bill shall then subtract the bill credit applicable to the benefiting account. The generation component credited to the benefiting account shall not include the cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code. The electrical corporation shall ensure that the local government receives the full bill credit.

(3) If, during the billing cycle, the generation component of the electricity usage charges exceeds the bill credit, the benefiting account shall be billed for the difference.

(4) If, during the billing cycle, the bill credit applied pursuant to paragraph (2) exceeds the generation component of the electricity usage charges, the difference shall be carried forward as a financial credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last billing cycle of a 12-month period, any remaining credit resulting from the application of this section shall be reset to zero.

(d) The commission shall ensure that the transfer of a bill credit to a benefiting account does not result in a shifting of costs to bundled service subscribers. The costs associated with the transfer of a bill credit shall include all billing-related expenses.

(e) Not more frequently than once per year, and upon providing the electrical corporation with a minimum of 60 days' notice, the local government may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefiting account, shall be applied, and may only be applied, to a benefiting account as changed.

(f) A local government shall provide the electrical corporation to which the eligible local government renewable generating facility will be interconnected with not less than 60 days' notice prior to the eligible local government renewable generating facility becoming operational. The electrical corporation shall file an advice letter with the commission, that complies with this section, not later than 30 days after receipt of the notice, proposing a rate tariff for a benefiting account. The commission, within 30 days of the date of filing, shall approve the proposed tariff, or specify conforming

changes to be made by the electrical corporation to be filed in a new advice letter.

(g) The local government may terminate its election pursuant to subdivision (b), upon providing the electrical corporation with a minimum of 60 days' notice. Should the local government sell its interest in the eligible local government renewable generating facility, or sell the electricity generated by the eligible local government renewable generating facility, in a manner other than as required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to subdivision (c) may be earned. Only credit earned prior to that date shall be made to a benefiting account.

(h) An electrical corporation is not obligated to provide a bill credit to a benefiting account that is not designated by a local government prior to the point in time that the combined statewide cumulative rated generating capacity of all eligible local government renewable generating facilities within the service territories of the state's three largest electrical corporations reaches 250 megawatts. Only those eligible local government renewable generating facilities that are providing bill credits to benefiting accounts pursuant to this section shall count toward reaching this 250-megawatt limitation. Each electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation reaches its proportionate share of the 250-megawatt limitation based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations.

SEC. 3. Section 2831 is added to the Public Utilities Code, to read:

2831. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electric service account, or more than one account, that is the responsibility of, or serves property that is owned, operated, or under the control of any state agency, that is located within the service territory of an electrical corporation in which the eligible ~~renewable state~~ state renewable generating facility is located, and which is designated by a state agency pursuant to this section.

(2) "Bill credit" means an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible state renewable generating facility that are exported to the grid during the corresponding time period. Electricity is exported to the grid if it is generated by an eligible state renewable generating facility, is not utilized onsite by the local government, and the electricity flows through the meter site and on to the electrical corporation's distribution or transmission infrastructure.

(3) "Eligible state renewable generating facility" means a generation facility that meets all of the following requirements:

(A) Is an eligible renewable energy resource pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1.

(B) Is located within the service territory of an electrical corporation within the state.

(C) Is owned by, operated by, or on property under the control of

a state agency. For these purposes, premises that are leased by a state agency are under the control of the state agency.

(D) Is sized to offset all or part of the electrical load of the benefiting account.

(4) "Generating account" means the time-of-use electric service account of the state agency where the eligible state renewable generating facility is located.

(5) "State agency" means every state office, officer, agency, department, division, bureau, board, and commission or other state body, except those agencies provided for in Article IV (except Section 20 thereof) or Article VI of the California Constitution.

(b) Subject to the limitation in subdivision (h), a state agency may elect to receive electric service pursuant to this section, if all of the following conditions are met:

(1) A state agency designates one or more benefiting accounts to receive a bill credit.

(2) A benefiting account receives service under a time-of-use rate schedule.

(3) The benefiting account is the responsibility of, and serves property that is owned, operated, or on property under the control of a state agency.

(4) The electrical output of the eligible state renewable generating facility is metered for time of use to allow calculation of the bill credit based upon when the electricity is exported to the grid.

(5) The commission has given approval for the eligible state renewable generation facility to interconnect to that portion of the grid that is under its jurisdiction or the Independent System Operator has given approval for the facility to interconnect to the transmission system under its operative control.

(6) All costs associated with the metering requirements of paragraphs (2) and (4) are the responsibility of a state agency.

(7) All costs associated with interconnection are the responsibility of a state agency. For purposes of this paragraph, "interconnection" has the same meaning as defined in Section 2803, except that it applies to the interconnection of an eligible state renewable generating facility rather than the energy source of a private energy producer.

(8) The state agency does not sell electricity exported to the electrical grid to a third party.

(9) All electricity exported to the grid by the state agency that is generated by the eligible state renewable generating facility becomes the property of the electrical corporation to which the facility is interconnected, but shall not be counted toward the electrical corporation's total retail sales for purposes of Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1. Ownership of the renewable energy credits, as defined in Section 399.12, ~~for all electricity generated by the eligible state renewable generating facility, whether exported to the grid or utilized onsite, shall belong to the electrical corporation.~~

shall be the same as the ownership of the renewable energy credits associated with electricity that is net metered pursuant to Section 2827.

(c) (1) A benefiting account shall be billed for all electricity usage, and for each bill component, at the rate schedule applicable

to the benefiting account, including any cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(2) The bill shall then subtract the bill credit applicable to the benefiting account. The generation component credited to the benefiting account shall not include the cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code. The electrical corporation shall ensure that the benefiting account receives the full bill credit.

(3) If, during the billing cycle, the generation component of the electricity usage charges exceeds the bill credit, the benefiting account shall be billed for the difference.

(4) If, during the billing cycle, the bill credit applied pursuant to paragraph (2) exceeds the generation component of the electricity usage charges, the difference shall be carried forward as a financial credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last billing cycle of a 12-month period, any remaining credit resulting from the application of this section shall be reset to zero.

(d) The commission shall ensure that the transfer of a bill credit to a benefiting account does not result in a shifting of costs to bundled service subscribers. The costs associated with the transfer of a bill credit shall include all billing-related expenses.

(e) Not more frequently than once per year, and upon providing the electrical corporation with a minimum of 60 days' notice, the state agency may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefiting account, shall be applied, and may only be applied, to a benefiting account as changed.

(f) A state agency shall provide the electrical corporation to which the eligible state renewable generating facility will be interconnected with not less than 60 days' notice prior to the eligible state renewable generating facility becoming operational. The electrical corporation shall file an advice letter with the commission, that complies with this section, not later than 30 days after receipt of the notice, proposing a rate tariff for a benefiting account. The commission, within 30 days of the date of filing, shall approve the proposed tariff, or specify conforming changes to be made by the electrical corporation to be filed in a new advice letter.

(g) The state agency may terminate its election pursuant to subdivision (b), upon providing the electrical corporation with a minimum of 60 days' notice. Should the state agency sell its interest in the eligible state renewable generating facility, or sell the electricity generated by the eligible state renewable generating facility, in a manner other than as required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to subdivision (c) may be earned. Only credit earned prior to that date shall be made to a benefiting

account.

(h) An electrical corporation is not obligated to provide a bill credit to a benefiting account that is not designated by a state agency prior to the point in time that the combined statewide cumulative rated generating capacity of all eligible state renewable generating facilities within the service territories of the state's three largest electrical corporations reaches 500 megawatts. Only those eligible state renewable generating facilities that are providing bill credits to benefiting accounts pursuant to this section shall count toward reaching this 500-megawatt limitation. Each electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation reaches its proportionate share of the 500-megawatt limitation based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations.

SEC. 4. Section 2832 is added to the Public Utilities Code , to read:

2832. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electric service account, or more than one account, that is the responsibility of, or serves property that is owned, operated, or under the control of any state agency, that is located within the service territory of a local publicly owned electric utility in which the eligible state renewable generating facility is located, and which is designated by a state agency pursuant to this section.

(2) "Bill credit" means an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible state renewable generating facility that are exported to the grid during the corresponding time period. Electricity is exported to the grid if it is generated by an eligible state renewable generating facility, is not utilized onsite by the local government, and the electricity flows through the meter site and on to the local publicly owned electric utility's distribution or transmission infrastructure.

(3) "Eligible state renewable generating facility" means a generation facility that meets all of the following requirements:

(A) Is an eligible renewable energy resource pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1.

(B) Is located within the service territory of a local publicly owned electric utility within the state.

(C) Is owned by, operated by, or on property under the control of a state agency. For these purposes, premises that are leased by a state agency are under the control of the state agency.

(D) Is sized to offset all or part of the electrical load of the benefiting account.

(4) "Generating account" means the time-of-use electric service account of the state agency where the eligible state renewable generating facility is located.

(5) "State agency" means every state office, officer, agency, department, division, bureau, board, and commission or other state body, except those agencies provided for in Article IV, except Section 20 thereof, or Article VI of the California Constitution.

(b) Subject to the limitation in subdivision (h), a state agency may elect to receive electric service pursuant to this section, if all of the following conditions are met:

(1) A state agency designates one or more benefiting accounts to receive a bill credit.

(2) A benefiting account receives service under a time-of-use rate schedule.

(3) The benefiting account is the responsibility of, and serves property that is owned, operated, or on property under the control of a state agency.

(4) The electrical output of the eligible state renewable generating facility is metered for time of use to allow calculation of the bill credit based upon when the electricity is exported to the grid.

(5) The local publicly owned electric utility has given approval for the eligible state renewable generation facility to interconnect to that portion of the grid that is under its jurisdiction or the Independent System Operator has given approval for the facility to interconnect to the transmission system under its operative control, if applicable.

(6) All costs associated with the metering requirements of paragraphs (2) and (4) are the responsibility of a state agency.

(7) All costs associated with interconnection are the responsibility of a state agency. For purposes of this paragraph, "interconnection" has the same meaning as defined in Section 2803, except that it applies to the interconnection of an eligible state renewable generating facility with the existing transmission facilities of a local publicly owned electric utility rather than the energy source of a private energy producer.

(8) The state agency does not sell electricity exported to the electrical grid to a third party.

(9) All electricity exported to the grid by the state agency that is generated by the eligible state renewable generating facility becomes the property of the local publicly owned electric utility to which the facility is interconnected, but shall not be counted toward the local publicly owned electric utility's total retail sales for purposes of Section 387. Ownership of the renewable energy credits, as defined in Section 399.12, shall be the same as the ownership of the renewable energy credits associated with electricity that is net metered pursuant to Section 2827.

(c) (1) A benefiting account shall be billed for all electricity usage, and for each bill component, at the rate schedule applicable to the benefiting account.

(2) The bill shall then subtract the bill credit applicable to the benefiting account. The local publicly owned electric utility shall ensure that the benefiting account receives the full bill credit.

(3) If, during the billing cycle, the generation component of the electricity usage charges exceeds the bill credit, the benefiting account shall be billed for the difference.

(4) If, during the billing cycle, the bill credit applied pursuant to paragraph (2) exceeds the generation component of the electricity usage charges, the difference shall be carried forward as a financial credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last

billing cycle of a 12-month period, any remaining credit resulting from the application of this section shall be reset to zero.

(d) The local publicly owned electric utility shall ensure that the transfer of a bill credit to a benefiting account does not result in a shifting of costs to bundled service subscribers. The costs associated with the transfer of a bill credit shall include all billing-related expenses.

(e) Not more frequently than once per year, and upon providing the local publicly owned electric utility with a minimum of 60 days' notice, the state agency may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefiting account, shall be applied, and may only be applied, to a benefiting account as changed.

(f) A state agency shall provide the local publicly owned electric utility to which the eligible state renewable generating facility will be interconnected with not less than 60 days' notice prior to the eligible state renewable generating facility becoming operational.

(g) The state agency may terminate its election pursuant to subdivision (b), upon providing the local publicly owned electric utility with a minimum of 60 days' notice. Should the state agency sell its interest in the eligible state renewable generating facility, or sell the electricity generated by the eligible state renewable generating facility, in a manner other than as required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to subdivision (c) may be earned. Only credit earned prior to that date shall be made to a benefiting account.

(h) A local publicly owned electric utility is not obligated to provide a bill credit to a benefiting account that is not designated by a state agency prior to the point in time that the combined statewide cumulative rated generating capacity of all eligible state renewable generating facilities within the service territories of the state's three largest electrical corporations reaches 500 megawatts. Only those eligible state renewable generating facilities that are providing bill credits to benefiting accounts pursuant to Section 2831 shall count toward reaching this 500-megawatt limitation.

~~SEC. 4.~~ SEC.5. Section 2851 of the Public Utilities Code is amended to read:

2851. (a) In implementing the California Solar Initiative, the commission shall do all of the following:

(1) The commission shall authorize the award of monetary incentives for up to the first megawatt of alternating current generated by solar energy systems that meet the eligibility criteria established by the Energy Commission pursuant to Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code. For an eligible state renewable generating facility authorized by Section 2831, the commission shall authorize the award of monetary incentives for up to five megawatts of alternating current generated by solar energy systems that meet the eligibility criteria established by the Energy Commission. The commission shall limit the incentives provided for eligible state renewable generating facilities for that portion of the generating capacity that is

greater than one megawatt, to not more than one-half of 1 percent, to ensure that those facilities do not receive an unreasonable portion of the available incentives under the program and to ensure that the goals and purposes identified in Section 25780 of the Public Resources Code are achieved. The commission shall determine the eligibility of a solar energy system, as defined in Section 25781 of the Public Resources Code, to receive monetary incentives until the time the Energy Commission establishes eligibility criteria pursuant to Section 25782. Monetary incentives shall not be awarded for solar energy systems that do not meet the eligibility criteria. The incentive level authorized by the commission shall decline each year following implementation of the California Solar Initiative, at a rate of no less than an average of 7 percent per year, and shall be zero as of December 31, 2016. The commission shall adopt and publish a schedule of declining incentive levels no less than 30 days in advance of the first decline in incentive levels. The commission may develop incentives based upon the output of electricity from the system, provided those incentives are consistent with the declining incentive levels of this paragraph and the incentives apply to only the first megawatt of electricity generated by the system.

(2) The commission shall adopt a performance-based incentive program so that by January 1, 2008, 100 percent of incentives for solar energy systems of 100 kilowatts or greater and at least 50 percent of incentives for solar energy systems of 30 kilowatts or greater are earned based on the actual electrical output of the solar energy systems. The commission shall encourage, and may require, performance-based incentives for solar energy systems of less than 30 kilowatts. Performance-based incentives shall decline at a rate of no less than an average of 7 percent per year. In developing the performance-based incentives, the commission may:

(A) Apply performance-based incentives only to customer classes designated by the commission.

(B) Design the performance-based incentives so that customers may receive a higher level of incentives than under incentives based on installed electrical capacity.

(C) Develop financing options that help offset the installation costs of the solar energy system, provided that this financing is ultimately repaid in full by the consumer or through the application of the performance-based rebates.

(3) By January 1, 2008, the commission, in consultation with the Energy Commission, shall require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(4) Notwithstanding subdivision (g) of Section 2827, the commission may develop a time-variant tariff that creates the maximum incentive for ratepayers to install solar energy systems so that the system's peak electricity production coincides with California's peak electricity demands and that ~~assures~~ ensures that ratepayers receive due value for their contribution to the purchase of solar energy systems and customers with solar energy systems continue to have an incentive to use electricity efficiently. In developing the time-variant tariff, the commission may exclude customers participating in the tariff from the

rate cap for residential customers for existing baseline quantities or usage by those customers of up to 130 percent of existing baseline quantities, as required by Section 80110 of the Water Code. Nothing in this paragraph authorizes the commission to require time-variant pricing for ratepayers without a solar energy system.

(b) Notwithstanding subdivision (a), in implementing the California Solar Initiative, the commission may authorize the award of monetary incentives for solar thermal and solar water heating devices, in a total amount up to one hundred million eight hundred thousand dollars (\$100,800,000).

(c) (1) In implementing the California Solar Initiative, the commission shall not allocate more than fifty million dollars (\$50,000,000) to research, development, and demonstration that explores solar technologies and other distributed generation technologies that employ or could employ solar energy for generation or storage of electricity or to offset natural gas usage. Any program that allocates additional moneys to research, development, and demonstration shall be developed in collaboration with the Energy Commission to ensure there is no duplication of efforts, and adopted by the commission through a rulemaking or other appropriate public proceeding. Any grant awarded by the commission for research, development, and demonstration shall be approved by the full commission at a public meeting. This subdivision does not prohibit the commission from continuing to allocate moneys to research, development, and demonstration pursuant to the self-generation incentive program for distributed generation resources originally established pursuant to Chapter 329 of the Statutes of 2000, as modified pursuant to Section 379.6.

(2) The Legislature finds and declares that a program that provides a stable source of monetary incentives for eligible solar energy systems will encourage private investment sufficient to make solar technologies cost effective.

(3) On or before June 30, 2009, and by June ~~30th~~ 30 of every year thereafter, the commission shall submit to the Legislature an assessment of the success of the California Solar Initiative program. That assessment shall include the number of residential and commercial sites that have installed solar thermal devices for which an award was made pursuant to subdivision (b) and the dollar value of the award, the number of residential and commercial sites that have installed solar energy systems, the electrical generating capacity of the installed solar energy systems, the cost of the program, total electrical system benefits, including the effect on electrical service rates, environmental benefits, how the program affects the operation and reliability of the electrical grid, how the program has affected peak demand for electricity, the progress made toward reaching the goals of the program, whether the program is on schedule to meet the program goals, and recommendations for improving the program to meet its goals. If the commission allocates additional moneys to research, development, and demonstration that explores solar technologies and other distributed generation technologies pursuant to paragraph (1), the commission shall include in the assessment submitted to the Legislature, a description of the program, a summary of each award made or project funded pursuant to the program, including the intended purposes to be achieved by the particular award or project,

and the results of each award or project.

(d) (1) The commission shall not impose any charge upon the consumption of natural gas, or upon natural gas ratepayers, to fund the California Solar Initiative.

(2) Notwithstanding any other law, any charge imposed to fund the program adopted and implemented pursuant to this section shall be imposed upon all customers not participating in the California Alternate Rates for Energy (CARE) or family electric rate assistance (FERA) programs as provided in paragraph (2), including those residential customers subject to the rate cap required by Section 80110 of the Water Code for existing baseline quantities or usage up to 130 percent of existing baseline quantities of electricity.

(3) 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 or~~ CARE program established pursuant to Section 739.1, except to the extent that program costs are recovered out of the nonbypassable system benefits charge authorized pursuant to Section 399.8.

(e) In implementing the California Solar Initiative, the commission shall ensure that the total cost over the duration of the program does not exceed three billion three hundred fifty million eight hundred thousand dollars (\$3,350,800,000). The financial components of the California Solar Initiative shall consist of the following:

(1) Programs under the supervision of the commission funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. The total cost over the duration of these programs shall not exceed two billion one hundred sixty-six million eight hundred thousand dollars (\$2,166,800,000) and includes moneys collected directly into a tracking account for support of the California Solar Initiative and moneys collected into other accounts that are used to further the goals of the California Solar Initiative.

(2) Programs adopted, implemented, and financed in the amount of seven hundred eighty-four million dollars (\$784,000,000), by charges collected by local publicly owned electric utilities pursuant to Section 387.5. Nothing in this subdivision shall give the commission power and jurisdiction with respect to a local publicly owned electric utility or its customers.

(3) Programs for the installation of solar energy systems on new construction, administered by the Energy Commission pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code, and funded by nonbypassable charges in the amount of four hundred million dollars (\$400,000,000), collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company pursuant to Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1.

~~SEC. 5.~~ SEC. 6. 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.