

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: March 28, 2007

To: The Commission
(Meeting of April 12, 2007)

From: Delaney Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 946 (Krekorian) Electricity: renewable energy resources.**
As Introduced: February 22, 2007

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: Support

SUMMARY OF BILL:

AB 946 would allow a public water or wastewater agency (agency) to locate an eligible renewable energy resource on land that it owns, leases or otherwise controls, without requiring that the land host a water or wastewater facility. For example, the bill would permit an agency to use undeveloped real estate for renewable electric production for sale to the utility at the MPR.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This bill would permit water or wastewater agencies to install renewable electric generation on any real estate that they own or control, rather than simply on sites where they have load. Therefore, the number of locations where agencies can install renewable electric generation will increase, and the capacity of renewable electric generation installed by water or wastewater agencies may increase.

SUMMARY OF SUGGESTED AMENDMENTS (if any):

N/A

DIVISION ANALYSIS (Energy Division):

- The bill will not affect implementation of the renewables portfolio standard, net metering or any other CPUC program.
- Electricity produced by the water or wastewater agency pursuant to Public Utilities (PU) Code Section 399.20 already counts toward a utility's RPS requirement, as defined in PU Code Section 399.15. The bill will not change this.
- Eligible renewable electric generation facilities are currently defined in PU code Section 399.12. The bill will not change this.
- The maximum capacity of renewable electric generation that may be installed by water or wastewater agencies for sale to utilities at MPR will remain unchanged at 250 MW.
- The bill will increase the number of sites at which renewable electric generation can be installed by water or wastewater agencies. Therefore, the bill may assist the Commission and utilities in achieving renewable electric generation objectives.

PROGRAM BACKGROUND:

- PU Code Section 399.20 permits a public water or wastewater agency (agency) that is an IOU retail customer to sell energy from its eligible renewable energy resource, to the utility at the PUC's adopted Market Price Referent MPR).
- PU Code Section 399.20 currently requires that the agency's generating facility be collocated on or adjacent to a water or wastewater facility that is owned and operated by the public water or wastewater agency.

LEGISLATIVE HISTORY:

PU Code Section 399.20 was adopted by the Legislature in AB 1969 and chaptered September 29, 2006.

AB 946 is related to several other bills pending before the California Legislature. These include:

<u>Bill</u>	<u>Author</u>	<u>Relevant PUCode Section</u>
AB463	Negrete-McLeod	PU Code Section 2827.9
AB1223	Arambula	PU Code Section 2827
AB1428	Galgiani	PU Code Section 2826.7 (add)
AB1532	Parra	PU Code Section 2826.8 (add)

FISCAL IMPACT:

Minor and absorbable

STATUS:

AB 946 is set for hearing in the Assemble Utilities and Commerce Committee on April 9th.

SUPPORT/OPPOSITION:

None on file

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Date: March 28, 2007

BILL LANGUAGE:

BILL NUMBER: AB 946 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Krekorian

FEBRUARY 22, 2007

An act to amend Section 399.20 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 946, as introduced, Krekorian. Electricity: renewable energy resources.

The Public Utilities Act imposes various duties and responsibilities on the Public Utilities Commission with respect to the purchase of electricity and requires the commission to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The program requires that a retail seller of electricity, including electrical corporations, community choice aggregators, and electric service providers, but not including local publicly owned electric utilities, purchase a specified minimum percentage of electricity generated by eligible renewable energy resources, as defined, in any given year as a specified percentage of total kilowatthours sold to retail end-use customers each calendar year (renewables portfolio standard). Existing law requires every electrical corporation to file with the commission a standard tariff for the renewable energy output produced at an electric generation facility, as defined, that, among other things, is an eligible renewable energy resource. Existing law requires the electrical corporation to make this tariff available to public water or wastewater agencies that own and operate an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the combined statewide cumulative rated generating capacity of those electric generation facilities equals 250 megawatts, with each electrical corporation required to offer service or contracts until that electrical corporation meets its proportionate share of the 250 megawatts based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations.

The existing definition of an "electric generation facility" includes a requirement that the facility be owned and operated by a public water or wastewater agency that is a retail customer of an electrical corporation, that the facility have an effective capacity of not more than one megawatt and is located on or adjacent to a water or wastewater facility owned and operated by the public water or wastewater agency.

This bill would amend the definition of an "electric generation facility" to require that the facility be owned and operated by a public water or wastewater agency that is a retail customer of an

electrical corporation, that the facility have an effective capacity of not more than one megawatt, and that the facility is located on land owned or under the control of the public water or wastewater agency.

The bill would make other nonsubstantive technical changes.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 399.20 of the Public Utilities Code is amended to read:

399.20. (a) It is the policy of this state and the intent of the Legislature to encourage energy production from renewable energy resources at public water and wastewater facilities in an amount commensurate with water-related electricity demand.

(b) As used in this section, "electric generation facility" means an electric generation facility, owned and operated by a public water or wastewater agency that is a retail customer of an electrical corporation, and that meets all of the following criteria:

(1) Has an effective capacity of not more than one megawatt and is located on ~~or adjacent to a water or wastewater facility owned and operated by~~ land owned or under the control of the public water or wastewater agency.

(2) Is interconnected and operates in parallel with the electric transmission and distribution grid.

(3) Is sized to offset part or all of the electricity demand of the public water or wastewater agency.

(4) Is strategically located and interconnected to the electric transmission system in a manner that optimizes the deliverability of electricity generated at the facility to load centers.

(5) Is an eligible renewable energy resource, as defined in Section 399.12.

(c) Every electrical corporation shall file with the commission a standard tariff for ~~renewable energy output produced at~~ electricity generated by an electric generation facility.

(d) The tariff shall provide for payment for every kilowatthour of ~~renewable energy output produced at~~ electricity generated by an electric generation facility at the market price as determined by the commission pursuant to Section 399.15 for a period of 10, 15, or 20 years, as authorized by the commission.

(e) Every electrical corporation shall make this tariff available to public water or wastewater agencies that own and operate an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the combined statewide cumulative rated generating capacity of those electric generation facilities equals 250 megawatts. An electrical corporation may make the terms of the tariff available to public water or wastewater agencies in the form of a standard contract subject to commission approval. Each electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation meets its proportionate share of the 250 megawatts based on the ratio of its peak demand to the total statewide peak demand of all electrical

corporations.

(f) Every kilowatthour of ~~renewable energy output produced~~ *electricity generated* by the electric generation facility shall count toward the electrical corporation's ~~renewable~~ *renewables* portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

(g) The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380.

(h) Upon approval by the commission, any tariff or contract authorized by this section may be made available to an electric generation facility that has an effective capacity of not more than 1.5 megawatts if that electrical generation facility otherwise complies with all of the provisions of this section.