

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 1532 (Parra) – Energy: eligible resource recovery projects pilot program.
As Introduced: February 23, 2007

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: Support with Technical Amendments

SUMMARY OF BILL: The bill would create 50 MW pilot program to extend periodic net metering to customer generators that use “resource recovery” as fuel to produce electricity and that do not require emissions offsets.¹ The bill defines “resource recovery” as use of municipal waste, agricultural wastes, forest cultivation wastes, landfill gas, or digester gas.

Each net metered project could be up to one megawatt in peak capacity. Net metering may impose costs on non-participants due to simplified interconnection and ratepayer funding of any distribution upgrades that may be needed because of the generation.²

Best available control technology (BACT) is required for those technologies subject to BACT by air quality regulatory agencies.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

If the pilot program demonstrates a market for on-site biomass energy or on site municipal solid waste energy, it could help the Commission achieve the State’s goals of adding renewable energy capacity to the electric grid. Also, on-site combustion of agricultural biomass is often in the form of uncontrolled and illegal burning, which exacerbates air-quality problems.

¹ Pursuant to Section 42314 of the Health and Safety Code.

² Factors affecting the need for distribution upgrades to accommodate the generation include, but are not limited to, the size of the generator, and the length, capacity, voltage conditions and feeder protection scheme of the distribution line to which the net metered DG is interconnected.

By providing a market for on-site agricultural waste, net metering of biomass may contribute to improved air quality in agriculture-intensive areas of the state.

SUMMARY OF SUGGESTED AMENDMENTS (if any):

The bill somewhat duplicates existing provisions for digester biogas net metering (PU Code Section 2827.9). To eliminate this duplication, references to biogas generation should be deleted throughout the bill.

Also, the bill may facilitate customers having more than one net metered technology. Since each eligible technology can be net metered up to 1 MW, there is the potential for non-participant ratepayers to bear costs of upgrading local distribution lines to accommodate multiple megawatts of on-site generation for each customer. Because costs to upgrade distribution feeders to net metered customers are borne by ratepayers, there is a potential for net metering of multiple megawatts on a single feeder, which would impose costs on ratepayers that may exceed the benefits of the generation in helping the state reach its renewable energy goals. To prevent this potential occurrence, the following language in bold should be added to PU Code Section 2826.8 as shown below.

(c) Every electrical corporation shall file with the commission a standard tariff providing for net energy metering for eligible resource recovery projects, consistent with this section. Every electrical corporation shall make this tariff available to eligible resource recovery projects upon request, on a first-come, first-served basis, until the combined statewide cumulative rated generating capacity used by the eligible resource recovery projects in the service territories of the three largest electrical corporations in the state reaches 50 megawatts. An eligible resource recovery project shall be eligible for the tariff for the life of the eligible resource recovery project facility. **Each customer-generator may net meter a total of up to 1 MW of renewable or resource recovery generating capacity.**

DIVISION ANALYSIS (Energy Division):

- This bill as currently drafted contradicts existing CPUC policy adopted in D.07-01-018, which assigned renewable energy credits (RECs) from net metered renewables to customer generators, by stipulating that net electricity delivered to the grid by a resource recovery project that is a renewable resource would be considered electricity procured by the utility for purposes of meeting RPS requirements.
- If the pilot program demonstrates a market for on-site biomass energy or on site municipal solid waste energy, it could help achieve State goals of adding renewable energy capacity to the electric grid and reducing harmful emissions.

- The bill would require the Commission, by December 31, 2010, in collaboration with the Air Resources Board, to report the Legislature on the impact of the pilot program on air emissions, grid reliability and ratepayers.

PROGRAM BACKGROUND:

- D.01-03-073 adopted the Self Generation Incentive Program (SGIP) to comply with AB 970, which required the Commission to provide incentives for “super-clean” and renewable DG technologies. This Decision required non-renewable DG technologies to utilize waste heat recovery equipment at the customer site in order to receive incentives.
- PU Code Section 399.20 encourages renewable energy production at public water and wastewater facilities by requiring utilities to purchase at the Market Price Referent. The CPUC is considering whether to expand this program to other renewable generators in the on-going RPS proceeding, R.06-05-027.

LEGISLATIVE HISTORY:

Unknown. AB 1532 is related to several other bills pending before the California Legislature. These include:

<u>Bill</u>	<u>Author</u>	<u>Relevant PU Code Section</u>
SB 463	Negrete-McLeod	PU Code Section 2827.9
AB 946	Krekorian	PU Code Section 399.20
AB 1223	Arambula	PU Code Section 2827
AB 1248	Galgiani	PU Code Section 2826.7

FISCAL IMPACT:

This bill requires one PURA IV and one PURA II to complete the data collection and analysis associated with preparing a report to the Legislature by December 31, 2010 on the effects of a biomass pilot program on grid reliability and ratepayers. The Commission will need to rely heavily upon the Air Resources Board for impacts on emissions of air pollutants.

The total fiscal impact is \$168,818 per year.

STATUS:

AB 1532 has not been assigned to a policy committee yet.

SUPPORT/OPPOSITION:

None on file

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Date: March 28, 2007

BILL LANGUAGE:

BILL NUMBER: AB 1532 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Parra

FEBRUARY 23, 2007

An act to add Section 2826.8 to the Public Utilities Code,
relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1532, as introduced, Parra. Energy: eligible resource recovery projects pilot program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, 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. Under existing law, electric service providers, as defined, are required to provide eligible customer-generators with net energy metering, as defined. Under existing law, electrical corporations are required to provide eligible biogas digester customer-generators that commences operation by December 31, 2009, with net energy metering, as defined, under a pilot program.

Existing law authorizes California State University, Fresno, until January 1, 2008, to receive a bill credit, as defined, to a benefiting account, as defined, for electricity supplied to the electrical grid by a biomass conversion facility located in Reedley and owned by California State University, Fresno (the Dinuba Facility), and requires the commission to adopt a rate tariff for the benefiting account.

Existing law defines a resource recovery project as a project that converts municipal wastes, agricultural wastes, forest wastes, landfill gas, or digester gas in a manner so as to produce energy as a byproduct. Existing law requires an air pollution control or air quality management district to issue permits for the construction of resource recovery projects pursuant to appropriate permit conditions for those projects. Existing law prohibits an air pollution control or air quality management district from requiring emissions offsets for any resource recovery project meeting certain requirements.

This bill would require electrical corporations to provide eligible resource recovery projects with net energy metering, as defined, under a pilot program. The bill would prescribe conditions under which these customers may participate in the pilot program established by the bill and would require the electrical corporation to file a standard tariff providing for net energy metering for eligible resource recovery projects. The bill would require the commission, in consultation with the State Air Resources Board, to report certain information relative to the pilot program to the Legislature by December 31, 2010.

Under existing law, the failure to file a required tariff, or a

violation of an order or direction of the commission, including a commission-approved tariff, is a crime. Because the bill would require electrical corporations to file new tariffs the bill would impose a state-mandated local program by creating new crimes.

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. Section 2826.8 is added to the Public Utilities Code, to read:

2826.8. (a) (1) The Legislature finds and declares that pilot programs to provide net energy metering for resource recovery projects would enhance the continued diversification of California's energy resource mix and would dispose of agricultural wastes thereby protecting the environment.

(2) The Legislature further finds and declares that the net energy metering pilot programs authorized pursuant to this section will reduce the consumption of energy, reduce the costs associated with energy demand, and achieve a reduction in peak electricity demand.

(b) As used in this section, the following definitions apply:

(1) "Electrical corporation" means an electrical corporation, as defined in Section 218.

(2) "Eligible resource recovery project" means a project that converts municipal wastes, agricultural wastes, forest wastes, landfill gas, or digester gas in a manner so as to produce electricity and for which no emissions offsets are required pursuant to Section 42314 of the Health and Safety Code.

(3) "Net energy metering" means measuring the difference between the electricity supplied through the electric grid and the difference between the electricity generated by an eligible resource recovery project and delivered to the electric grid over a 12-month period as described in subdivision (e). Net energy metering shall be accomplished using a time-of-use meter capable of registering the flow of electricity in two directions. If the existing electrical meter of an eligible resource recovery project is not capable of measuring the flow of electricity in two directions, the eligible resource recovery project shall be responsible for all expenses involved in purchasing and installing a meter that is able to measure electricity flow in two directions. If an additional meter or meters are installed, the net energy metering calculation shall yield a result identical to that of a time-of-use meter.

(c) Every electrical corporation shall file with the commission a standard tariff providing for net energy metering for eligible resource recovery projects, consistent with this section. Every electrical corporation shall make this tariff available to eligible resource recovery projects upon request, on a first-come, first-served basis, until the combined statewide cumulative rated generating capacity used by the eligible resource recovery projects in the service territories of the three largest electrical

corporations in the state reaches 50 megawatts. An eligible resource recovery project shall be eligible for the tariff for the life of the eligible resource recovery project facility.

(d) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if the customer was not an eligible resource recovery project, except as set forth in subdivision (e). Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or other charge that would increase an eligible resource recovery project's costs beyond those of other customers in the rate class to which the eligible resource recovery project would otherwise be assigned are contrary to the intent of this legislation, and shall not form a part of net energy metering tariffs.

(e) The net energy metering calculation shall be made by measuring the difference between the electricity supplied to the eligible resource recovery project and the electricity generated by the eligible resource recovery project and delivered to the electric grid over a 12-month period. The following rules shall apply to the annualized metering calculation:

(1) The eligible resource recovery project shall, at the end of each 12-month period following the date of final interconnection of the eligible resource recovery project's system with an electrical corporation, and at each anniversary date thereafter, be billed for electricity used during that period. The electrical corporation shall determine if the eligible resource recovery project was a net consumer or a net producer of electricity during that period. For purposes of determining if the eligible resource recovery project was a net consumer or a net producer of electricity during that period, the electrical corporation shall aggregate the electrical load of a poultry or livestock operation under the same ownership or related ownership, including the electrical load attributable to production and processing operations, heating and cooling of livestock and poultry production facilities, refrigeration for farm products and water pumping located on property adjacent or in close proximity to the livestock or poultry operation. Each aggregated account shall be billed and measured according to a time-of-use rate schedule.

(2) At the end of each 12-month period, if the electricity supplied during the period by the electrical corporation exceeds the electricity generated by the eligible resource recovery project during that same period, the eligible resource recovery project is a net electricity consumer and the electrical corporation shall be owed compensation for the eligible resource recovery project's net kilowatthour consumption over that same period. The compensation owed for the eligible resource recovery project's consumption shall be calculated as follows:

(A) The generation charges for any net monthly consumption of electricity shall be calculated according to the terms of the tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible resource recovery project. If those eligible resource recovery projects are net generators during any discrete time-of-use period, the net kilowatthours produced shall be valued at the same price per kilowatthour as the electrical corporation would charge for retail kilowatthour sales for generation, exclusive of any surcharges, during that same time-of-use period. If the eligible resource recovery project's time-of-use

electrical meter is unable to measure the flow of electricity in two directions, paragraph (3) shall apply. All other charges, other than generation charges, shall be calculated in accordance with the eligible resource recovery project's applicable tariff and based on the total kilowatthours delivered by the electrical corporation to the eligible resource recovery project. To the extent that charges for transmission and distribution services are recovered through demand charges in any particular month, no standby reservation charges shall apply in that monthly billing cycle.

(B) The net balance of moneys owed shall be paid in accordance with the electrical corporation's normal billing cycle.

(3) At the end of each 12-month period, if the electricity generated by the eligible resource recovery project during the 12-month period exceeds the electricity supplied by the electrical corporation during that same period, the eligible resource recovery project is a net electricity producer and the electrical corporation shall retain any excess kilowatthours generated during the prior 12-month period. The eligible resource recovery project shall not be owed any compensation for those excess kilowatthours.

(4) If an eligible resource recovery project terminates service with the electrical corporation, the electrical corporation shall reconcile the eligible resource recovery project's consumption and production of electricity during any 12-month period.

(f) No eligible resource recovery project electrical generating facility shall be eligible for participation in the tariff established pursuant to this section, that has not commenced operation by December 31, 2011. An eligible resource recovery project shall be eligible for the tariff established pursuant to this section, only for the operating life of the eligible resource recovery project facility.

(g) No resource recovery project facility that is subject to the best available control technology (BACT) requirements shall be eligible for participation in the tariff pursuant to this section unless the resource recovery project facility has installed the best available control technology as required by the local air pollution control district or air quality management district at the time of installation to ensure the maximum feasible reductions in toxic and criteria pollutants.

(h) Any net electricity delivered to the grid by a resource recovery project that is an eligible renewable energy resource pursuant to Article 16 (commencing with Section 399.11) of Part 1 of Division 1, is electricity procured by the electrical corporation for purposes of meeting the renewables portfolio standard program requirements.

(i) On or before December 31, 2010, the commission, in collaboration with the State Air Resources Board, shall report to the Legislature all of the following information:

(1) The impact of the pilot program on emissions of air pollutants.

(2) The impact of the pilot program on the reliability of the transmission and distribution grid.

(3) The impact of the pilot program on ratepayers.

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.