

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 17, 2008

To: The Commission
(Meeting of April 24, 2008)

From: Pamela Loomis, Deputy Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 1807 (Fuentes) – Renewable electric generation facilities: feed-in tariffs.**
As amended: March 28, 2008

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: OPPOSE UNLESS AMENDED

SUMMARY OF BILL:

This bill would require electrical corporations to offer feed-in tariffs to renewable electric generation facilities with effective generating capacities between 1.5 MW and 20 MW.

This bill would also encourage the governing board of each local publicly-owned electric utility (POUs) to develop and implement a feed-in tariff at the tariff price approved by each POU's governing board for a period of 10, 15, or 20 years.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

Even though the bill may be the best choice among all of the proposed Feed-in Tariffs (FiTs) legislation currently on the table, given all of the ongoing programs, many of which are just beginning and have not yet had a chance to be evaluated for success, it would be most prudent for the California Public Utilities Commission (CPUC) to review the interaction between all the current programs before supporting a significant expansion of FiTs. In addition, there are numerous technical issues with the bill that, in its present form would harm the RPS program, the current FiT program, long-term procurement and resource adequacy proceedings, the California Solar Initiative and the Self-Generation Incentive Program.

SUMMARY OF SUGGESTED AMENDMENTS:

- The bill should be amended to reflect the CPUC's responsibility and flexibility in implementing a FiT. As such, PU Code Section 399.21(c)(1) should be amended to state:
 - The commission shall "have the option" to develop and approve a feed-in tariff for each electrical corporation that provides for payment for every kilowatt hour of electricity generated by a renewable electric generation facility that is delivered to the grid, at the tariff price developed and approved by the CPUC for a period of 10, 15, or 20 years. The CPUC should weigh the costs and benefits of such a feed-in tariff before adopting a broad-based approach. The CPUC should consider the impact of a feed-in tariff on long-term procurement policies, the RPS program, the QF program, the DG programs, and Net Energy Metering before adopting feed-in tariffs for some or all technologies.
- The bill should be changed to have an absolute cap, based either on a number of MW or a percentage of each utility's peak load, rather than a cap that allows the FiT to be available "until the utilities have met their RPS obligation."
- In order to align with current commission policy related to Renewable Energy Credits (RECs), Section 399.21(g) should be re-written to state:
 - Every kilowatthour of the electricity generated by the renewable electric generation facility, *excluding* generation used to offset the customer's own usage of electricity, shall count toward the electrical corporation's renewables portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

DIVISION ANALYSIS (Energy Division):

- AB 1807 would create a tariff available for electricity generated by renewable electric generation facilities, which are eligible renewable energy resources as defined in P.U. Code Section 399.12, with capacity of more than 1.5 MW and not more than 20 MW.
- Technology: The tariffs would be available to all renewable technologies in PU Code 399.12 (i.e. all renewables portfolio standard (RPS) eligible technologies).
- Price:
 - By June 1, 2010 the CPUC must develop a methodology for determining a base rate to be paid for electricity generated by a renewable electric generation facility, and a separate base rate for each technology that is an

eligible renewable energy resource, calculated based on cost of generation plus a reasonable profit.

- By June 1, 2010 the CPUC must develop a methodology for adjusting the base rate to be paid for electricity generated by renewable electric generation facilities in future years so that the base rate declines over time to reflect changing technology and operational practices.
- Terms of Feed-In Tariff: AB 1807 would require the CPUC to reduce the tariff rate to reflect taxes and other credits, subsidies, or incentives received for a renewable electric generation facility. This provision is unnecessary if the CPUC sets the tariff rate, because it would be impossible to not consider such financial factors in setting the rate.
- Renewable Portfolio Standard Program (RPS):
 - The State's RPS program currently has contracted for dozens of new renewables projects, including many projects under 20 MW.¹ While the "under 20 MW" projects are not the most prevalent type of project in the RPS "approved and pending contracts" list, it is indisputable that there are RPS contracts in this category.
 - AB 1807 would replace the existing RPS program's process of competitive solicitations for projects between 1.5 MW and 20 MW.
 - The electricity generation paid for under this FiT would count towards the State's RPS goals.
 - The RPS program currently allows bidders to offer projects at viable prices without being subject to CPUC price litigation.
 - The bill would create a high level of uncertainty for any pending or imminent contracts in this size arena. Until the price is determined by the CPUC after extensive litigation at the CPUC, the bill might put a large damper on demand in the RPS program. Even projects greater than 20 MW will be affected by the price paid to projects by 1.5 MW and 20 MW.
 - If the investor-owned utilities (IOUs) (or the CPUC) want to offer limited feed-in tariffs (or standardized Power Purchase Agreements) at specified prices for small renewables they can do so under the existing RPS program, without legislation or significant litigation. For example, Southern California Edison currently has a biogas standard contract offer under the RPS program.

¹ See the CPUC's current list of CPUC approved and pending RPS contracts available at <http://www.cpuc.ca.gov/PUC/energy/electric/RenewableEnergy/rpsprojects.htm>

- The bill requires that utilities keep the FiT open until the RPS program is "complied with"; however, the RPS requirement could change over time.
- AB 1807 would require every electrical corporation to make the FiT available to customers until that electrical corporation's RPS is met, as determined by the commission. Using RPS as a baseline could be problematic because there is a significant delay in determining whether RPS goals were met in a given year. Such delay could introduce some amount of uncertainty for either electrical corporations or the renewable electric generation facility.
- *Renewable Energy Credits*: AB 1807 would require that every kilowatthour of electricity generated by the renewable electric generation facility, including generation used to offset the customer's own usage of electricity, shall count toward the electrical corporation's RPS annual procurement targets, while the customer is able to keep the RECs for energy used onsite. By allowing all energy, including that used onsite, to count toward the utility's RPS the utility would also receive those same RECs. This would essentially be double-counting the RPS and is contrary to current commission policy.
- Qualified Facilities (QF) Program:
 - The State's QF program in the early 1980s brought online ~6,600 MW of generation, including ~1,200 MW of combined heat and power (CHP) and renewables projects under 20 MW.
 - The bill would replace the recently enacted "new QF" contract terms and conditions available for new renewables adopted by D.07-09-040 which allows QFs to take a new standard offer contract under the pricing terms set by the Commission by decision.
 - The QF program may be closed to new contracts in the future if FERC determines that the California Independent System Operation (CAISO) has successfully implemented Market Redesign Technology Upgrade (MRTU) and QFs are able to competitively bid into the State's energy markets. However, the precedent in the Northeast states is that FERC lifted the QF requirement for facilities over 20 MW, but retained the QF purchasing obligation on the utilities for facilities under 20 MW.
- Distributed Generation and Net Energy Metering Programs:
 - The bill would affect the DG programs such as the California Solar Initiative (CSI) and Self Generation Incentive Program (SGIP). Customers that participate in CSI and SGIP generally take electrical service under a net energy metering (NEM) tariff.

- With this bill, the price paid under the tariffs (undetermined until set by the Commission) may exceed the incentive payment offered under the DG programs.
 - The DG programs are designed to have customers pay the majority of the capital costs, and ratepayers provide an upfront incentive to help install the capacity. [Even if the incentive is paid out over a few years-- as in the CSI's Performance Based Incentive option -- it is still an upfront incentive]. The customer's investment is largely offset through NEM savings and bill savings.
 - In contrast, under a FiT, ratepayers pay for the energy production from a DG facility. To make a FiT attractive, the price paid needs to allow the investor to recover the full cost of the system, otherwise a FiT will not be attractive to customers.
- To date, the CPUC has viewed FiT and NEM as mutually exclusive, yet it is not clear how the bill will affect customer interest in and participation in DG programs, and therefore NEM tariffs.
- A customer receiving electrical service pursuant to an alternative net metering program may not receive service pursuant to this FiT.
- Once a customer elects to receive electrical service pursuant to this proposed FiT the customer waives any right thereafter to receive service pursuant to an alternative net metering program. This may provide uncertainty for the period of time after the FiT contract has ended.
- Existing Small Renewables Feed-In Tariff Enacted by AB 1969 (Yee, 2006):
 - California's current FiT is restricted to an electric generation facility with generation capacity up to 1.5 MW for PG&E, SDG&E, and SCE, and up to 1 MW for all other electrical corporations. Section 399.20 requires that the electric generation facility be owned by a public water or wastewater agency. However, PG&E and SDG&E are also able to offer such tariffs for non-water and non-wastewater facilities.
 - This bill would require modification to the State's existing FiT (PU Code 399.20 as mandated by AB 1969) which was recently implemented by the Commission to pay the market price referent for renewable facilities under 1.5 MW. The Commission would need to consider how the price paid under AB1807 would affect the price already approved by the CPUC to be paid for facilities under the AB 1969 tariffs.
 - The current FiT allows for both excess sales and full buy/sell options to accommodate some onsite load, but AB 1807 does not indicate whether both options would be allowable under the law as proposed.

- Long-Term Procurement and Resource Adequacy:
 - Under the existing long-term procurement program, the utilities are required to biennially demonstrate their plans for long-term energy and capacity contracting. This FiT may create uncertainty in the utilities long-term planning process. In fact, a major problem with the QF program in the 1980s was its impact on the ability for the utilities to do sensible integrated planning. Under a major FiT (as was the case under the QF program), new generation resources could show up on the utility grid without necessarily being located when or where needed. New resources had five years to come online, and during that time, the utility could only adopt a "wait and see" attitude towards the new resources. While the AB 1807 FiT could be designed to have a locational component, as written, there is no guarantee that AB 1807 resources will come online in preferred locations.
 - In today's long-term procurement planning environment, a new FiT program that might attract significant resources to the State could cause considerable uncertainty. The bill requires the utilities keep the FiT open until the RPS program is "complied with", but there is no total MW cap on the amount of resources that can take the FiT.
 - If established, this new FiT will expose the state to uncertainty in its long-term procurement planning due to the fact that FiTs offer virtually no control over where, whether, and when the new resources appear. (This issue was at the heart of one of the challenges brought about by the State's QF program in the 1980s.)
 - The legislation would require the CPUC to create new long-term procurement contracts at a price that would be litigated at the CPUC.

PROGRAM BACKGROUND:

- Public Utilities Code (PU Code) Section 399.20 requires that FiTs be offered by electrical corporations to an electric generation facility with generation capacity up to 1.5 MW for PG&E and SDG&E and up to 1 MW for all other electrical corporations. Section 399.20 requires that the electric generation facility be owned by a public water or wastewater agency. Participants of the tariff pursuant to Section 399.20 are ineligible to receive benefits through ratepayer funded incentive programs. Pursuant to D.07-07-027 PG&E and SCE are required, and SDG&E is able, to offer tariffs adopted in the implementation of §399.20 for non-water and non-wastewater facilities.

- Commission decision (D.) 07-09-040 adopts future pricing and policy for qualifying facilities. Qualifying facilities are able to form standard contracts at a set price for power delivery of renewable resources, which essentially mimics a FiT.
- Currently, CPUC policy is that only the energy purchased by the electrical corporation counts toward that corporation's RPS goals. Likewise, the electrical corporation receives the RECs only for purchased energy, while the customer retains the RECs for energy used onsite. AB 1807 would allow all of the energy produced, including what is used onsite by the customer, to count toward the electrical corporation's RPS. It would also allow the customer to retain the RECs for any energy used onsite. This would effectively allow for double counting of the RPS energy, and allow an unbundling of RPS generation and RECs. Currently, RECs are not allowed to be unbundled from RPS generation. The CPUC currently considers such unbundling as creating "brown power" which is not applicable toward RPS.

LEGISLATIVE HISTORY:

- AB 1969 (Yee, Ch. 731, Statutes of 2006) led to implementation of PU Code Section 399.20. As aforementioned, this Code Section provides California's only FiT to date.

FISCAL IMPACT:

Due to the complexity involved in creating such a program, the Commission would require 2 new permanent senior analysts and 1 permanent junior analyst with a cost of \$324,860 to:

- Develop and approve a feed-in tariff for each electrical corporation.
- Develop a methodology for determining a base rate for the feed-in tariff.
- Determine how the base rate would be adjusted over time to reflect improvements in technology and operational practices.
- Establish a reduced tariff rate to reflect federal and state tax and other credits, subsidies, or other incentives received for a renewable electric generation facility.

STATUS:

AB 1807 is currently pending in the Assembly Committee on Utilities and Commerce.

SUPPORT/OPPOSITION:

Support: None on file.

Opposition: None on file.

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Date: April 17, 2008

BILL LANGUAGE:

BILL NUMBER: AB 1807 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY MARCH 28, 2008

INTRODUCED BY Assembly Member Fuentes

JANUARY 16, 2008

An act to add ~~Section~~ Sections 387.2 and 399.21 to the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1807, as amended, Fuentes. Renewable electric generation facilities: feed-in tariffs.

Under existing law, the Public Utilities Commission is vested with regulatory authority over public utilities, including electrical corporations. The Public Utilities Act imposes various duties and responsibilities on the commission with respect to the purchase of electricity by electrical corporations 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, 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 renewable energy output produced at an electric generation facility, as defined, that is an eligible renewable energy resource and meets other size, deliverability, and interconnection requirements. 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. Existing law requires that the electric generation facility be located on property owned or under the control of the public water or wastewater agency and be sized to offset part or all of the generator's electricity demand. Existing law provides that the renewable energy output of an electric generation facility counts toward the electrical corporation's renewables portfolio standard and resource adequacy requirements.

This bill would require every electrical corporation to file with the commission a ~~standard~~ feed-in tariff , as defined, for the electricity delivered to the grid that is generated by a renewable electric generation facility, as

defined, that is an eligible renewable energy resource and meets other size, deliverability, and interconnection requirements. The bill would require the commission to ~~consult with the Energy Commission and the Independent System Operator in approving feed-in tariffs~~ develop a methodology for determining a base rate to be paid for electricity that is generated by a renewable electric generation facility and to adjust the base rate to be paid in future years so that the base rate declines over time to reflect improvements in technology and operational practices. The bill would authorize an electrical corporation to make adjustments to the base rate to incentivize the generation of electricity to meet load within the electrical corporation ' s individual service territory, including generation of electricity to match peak demand and regional adjustments to match deliverability of electricity to load centers. The bill would require the commission to reduce the tariff rate to reflect federal and state tax and other credits, subsidies, or other incentives received for a renewable electric generation facility . The bill would require the electrical corporation to make the feed-in tariff available to any customer of the electrical corporation, upon request, on a first-come, first-served basis, until the electrical corporation meets its renewables portfolio standard. ~~The~~

The bill would require the commission to ensure that a customer's eligibility to receive service pursuant to the feed-in tariff is determined in advance so that a customer can invest in a renewable electric generation facility knowing that the customer will be eligible to receive service pursuant to the feed-in tariff and the ~~market~~ tariff price that will be applicable to that customer. The bill would authorize the commission to place time limitations upon a customer for completion of the renewable electric generation facility to remain eligible for the feed-in tariff at the applicable ~~market~~ tariff price and to establish reasonable operation and reliability standards for a renewable electric generation facility to remain eligible for the feed-in tariff at the applicable ~~market~~ tariff price. ~~The~~

The bill would provide that any renewable energy credit, as defined, for electricity delivered to the grid and purchased by the electrical corporation belongs to the electrical corporation, and that any renewable energy credit associated with electricity generated by the customer that is utilized by the customer and not delivered to the grid remains the property of the customer. The bill would provide that the electricity generated by the renewable electric generation facility, including generation used to offset the customer's own usage of electricity, counts toward the electrical corporation's renewables portfolio standard and resource adequacy requirements. The bill would ~~authorize~~ prohibit a customer receiving electrical service pursuant to an alternative net metering program, as defined, ~~to elect~~ from electing to receive service pursuant to the feed-in tariff filed by an electrical corporation pursuant to the bill's requirements and would provide that a customer ~~electing to receive~~ receiving service pursuant to the feed-in tariff waives any right the customer otherwise has to thereafter receive service pursuant to an alternative net metering program.

~~This bill would require the commission, in consultation with the Energy Commission, to develop feed in tariffs for eligible renewable energy resources of more than 20 megawatts that value a diverse mix of sources of renewable energy based upon the most successful feed in tariffs utilized in Europe. The bill would require the commission, in consultation with the Independent System Operator, to establish tariff provisions that facilitate both the renewables portfolio standard program and the reliable operation of the grid.~~

Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime. Because this bill would require an order or other action of the commission to implement its provisions and a violation of that order or action would be a crime, the bill would impose a state-mandated local program by creating a new crime.

Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission), beginning November 1, 2003, and every 2 years thereafter, to adopt an integrated energy policy report which includes an assessment and forecast of system reliability and the need for resource additions, efficiency, and conservation.

This bill would require the Energy Commission to study the feasibility and desirability of implementing a feed-in tariff for eligible renewable energy resources of more than 20 megawatts, based upon the most successful feed-in tariffs utilized in Europe, in order to advance the state's energy goals and needs and to report its findings to the Legislature in the next integrated energy policy report.

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 387.2 is added to the Public Utilities Code , to read:

387.2. (a) It is the policy of this state and the intent of the Legislature to encourage energy production from renewable resources in an amount commensurate with electricity demand. Utilization of feed-in tariffs for electricity generated by renewable energy resources can help the state achieve its goals and assist the utility in achieving its renewables portfolio standard.

(b) The governing board of each local publicly owned electric utility is encouraged to develop and implement a feed-in tariff for the utility that provides for payment for every kilowatthour of electricity generated by a renewable electric generation facility at the tariff price approved by the governing board for a period of 10, 15, or 20 years.

~~SECTION 1.~~ *SEC. 2. Section 399.21 is added to the Public Utilities Code, to read:*

399.21. (a) It is the policy of this state and the intent of the

~~Legislature to encourage energy production from renewable resources in an amount commensurate with electricity demand.~~

Legislature, through implementation of a feed-in tariff for electricity generated by renewable electric generation facilities, to achieve all of the following:

(1) The generation of electricity from eligible renewable energy resources in an amount and location commensurate with the growth of electrical load within each load area.

(2) The deployment of eligible renewable energy resources in a timely manner in order to eliminate, to the greatest extent possible, the need for additional powerplants using fossil fuels to generate electricity.

(3) The growth of green-collar jobs in California by developing industries that build and deploy eligible renewable energy resources.

(4) The lending of capital for eligible renewable electric generation facilities by ensuring a stable revenue stream for project developers.

(5) The adoption of just and reasonable payments for electricity generated by renewable electric generation facilities that protect electrical corporations and ratepayers from inflated generation costs resulting from the exercise of market power arising from future renewable energy attainment targets and that protect electrical corporations from receiving insufficient bids through the competitive bidding process to meet their renewables portfolio standard purchasing requirements.

(6) To increase the diversity of technologies that are eligible renewable energy resources.

(b) As used in this section the following terms have the following meanings:

(1) "Alternative net metering program" means any program that requires an electrical corporation to purchase or credit electricity generated by a subscriber pursuant to Article 3 (commencing with Section 2821) of Chapter 7 of Part 2.

(2) "Eligible renewable energy resource" has the same meaning as defined in Section 399.12.

(3) "Feed-in tariff" means the schedule detailing the rates, rules, and terms of service that is filed by an electrical corporation and approved by the commission that is applicable to the purchase of electricity generated by a renewable electric generation facility by the electrical corporation pursuant to this section.

~~(2)~~

(4) "Renewable electric generation facility" means a facility for the generation of electricity that is owned and operated by a customer of an electrical corporation and that meets all of the following criteria:

(A) Has an effective generating capacity of more than one and one-half and not more than 20 megawatts and is located on property owned or under the control of the customer.

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

(C) 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.

(D) Is an eligible renewable energy resource ~~—, as defined in Section 399.12 .~~

~~—(c) Every electrical corporation shall file with the commission a standard feed in tariff for the electricity generated by a renewable electric generation facility. The commission shall consult with the Energy Commission and the Independent System Operator in approving feed in tariffs.~~

~~—(d) The feed in tariff shall provide for payment for every kilowatthour of electricity generated at a renewable 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.~~

(c) (1) The commission shall develop and approve a feed-in tariff for each electrical corporation that provides for payment for every kilowatthour of electricity generated by a renewable electric generation facility that is delivered to the grid, at the tariff price approved by the commission for a period of 10, 15, or 20 years.

(2) By June 1, 2010, the commission shall develop both of the following for each eligible renewable energy resource:

(A) A methodology for determining a base rate to be paid for electricity that is generated by a renewable electric generation facility. A separate base rate shall apply for each technology that is an eligible renewable energy resource. The base rate shall be calculated based upon the cost of generation, using best available practices for the individual technology, plus a reasonable profit as determined by the commission.

(B) A methodology for adjusting the base rate to be paid for electricity generated by renewable electric generation facilities in future years so that the base rate declines over time to reflect improvements in technology and operational practices.

(3) The commission shall, upon development of the methodology pursuant to paragraph (2), require each electrical corporation to file a feed-in tariff for approval by the commission. An electrical corporation may adjust the base rate of its feed-in tariff to incentivize the generation of electricity to meet load within the electrical corporation's individual service territory, including generation of electricity to match peak demand and regional adjustments to match deliverability of electricity to load areas. Any adjustment to the base rate shall be based upon future projections of electricity demand within its service territory or a load area.

(4) The commission shall reduce the tariff rate to reflect federal and state tax and other credits, subsidies, or other incentives received for a renewable electric generation facility. The commission shall review tariff rates at least annually to ensure that the rate is reduced to reflect federal and state tax and other credits, subsidies, or other incentives received for a renewable electric generation facility.

(5) The commission shall annually adjust the feed-in tariff rates paid for electricity generated by a renewable electric generation facility for inflation and component price in light of current market conditions.

(d) Upon adoption of the feed-in tariff by the commission, any renewable energy credit, as defined in Section 399.12, for electricity delivered to the grid and purchased by the electrical corporation shall belong to the electrical corporation. Any renewable energy credit associated with electricity generated by the customer that is utilized by the customer and not delivered to the grid shall

remain the property of the customer.

(e) Every electrical corporation shall make the feed-in tariff available to customers that own and operate a renewable electric generation facility within the service territory of the electrical corporation, upon request, on a first-come, first-served basis, until the electrical corporation meets its renewables portfolio standard. An electrical corporation may make the terms of the feed-in tariff available to customers in the form of a standard contract subject to commission approval. An electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation meets its renewables portfolio standard, as determined by the commission.

(f) The commission shall ensure that a customer's eligibility to receive service pursuant to the feed-in tariff is determined in advance so that a customer can invest in a renewable electric generation facility knowing that the customer will be eligible to receive service pursuant to the feed-in tariff and the ~~market~~ tariff price that will be applicable to that customer. The commission may place time limitations upon a customer for completion of the renewable electric generation facility to remain eligible for the feed-in tariff at the applicable ~~market~~ tariff price. The commission may establish reasonable operation and reliability standards for a renewable electric generation facility to remain eligible for the feed-in tariff at the applicable ~~market~~ tariff price.

(g) Every kilowatthour of the electricity generated by the renewable electric generation facility, including generation used to offset the customer's own usage of electricity, shall count toward the electrical corporation's renewables portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

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

(i) (1) A customer receiving electrical service pursuant to an alternative net metering program may *not* elect to receive service pursuant to the feed-in tariff filed by an electrical corporation pursuant to this section.

(2) A customer that ~~elects to receive~~ receives electrical service pursuant to the feed-in tariff filed by an electrical corporation pursuant to this section waives any right that the customer otherwise has to thereafter receive service pursuant to an alternative net metering program.

~~—(j) The commission, in consultation with the Energy Commission, shall develop feed-in tariffs for eligible renewable energy resources of more than 20 megawatts that value a diverse mix of sources of renewable energy based upon the most successful feed-in tariffs utilized in Europe.~~

~~—(k)~~

(j) The commission shall, in consultation with the Independent System Operator, establish tariff provisions that facilitate both the provisions of this chapter and the reliable operation of the grid.

SEC. 2. The State Energy Resources Conservation and Development Commission shall study the feasibility and desirability of implementing a feed-in tariff for eligible renewable

energy resources of more than 20 megawatts, based upon the most successful feed-in tariffs utilized in Europe, in order to advance the state's energy goals and needs. The commission shall report its findings to the Legislature in the next integrated energy policy report prepared pursuant to Section 25302 of the Public Resources Code.

~~SEC. 2.~~ SEC. 3. 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.