

# T2WG Task 4 – Small Business Definition

6/15/2017

# Direction & Purpose

- **Order** – “Develop qualification standards and documentation requirements to identify a small-sized business customer.”
- **Purpose** – Finalize a statewide definition of small business that will be used to set a threshold for EE programs being treated through the “direct to decision” guidelines. This definition can be used by any offering which currently works with small customers as well as for any new approved offerings targeting this market for any sector (commercial, industrial etc.).

# 4 proposals

- **4A – California Certified Small Business**
- **4B – Commercial/Industrial**
- **4C – Small Business Tariff Definition**
- **4D – Hybrid**

**Q1** – Which proposal(s) would you support? (Can pick more than one)

**Q2** – Which proposal(s) do you have concerns with? (Can pick more than one)

# Proposal 4A – Certified Small Business

A customer qualifies as a small business customer if the customer meets the eligibility requirements to become a certified California Small Business.

## California Small Business Certification Eligibility Requirements

In order for a small business to be eligible for certification, the small business must meet the following requirements:

- Be independently owned and operated;
- Not dominant in field of operation;
- Principal office located in California;
- Owners (officers, if a corporation) domiciled in California; and,
- Including affiliates, be either,
  - A business with 100 or fewer employees; an average annual gross receipts of \$15 million or less, over the last three tax years;
  - A manufacturer\* with 100 or fewer employees; or,
  - A microbusiness. A small business will automatically be designated as a microbusiness, if gross annual receipts are less than \$3,500,000; or the small business is a manufacturer with 25 or fewer employees.

\* For Small Business Certification purposes, a manufacturer is a business that is both of the following:

1. Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
2. Classified between Codes 31 to 339999, inclusive, of the North American Industrial Classification System (NAICS) Manual, published by the United States Census Bureau, 2007 edition.

# Proposal 4B – Commercial/Industrial

A customer qualifies as a small business customer if it satisfies **any one** of the criteria outlined below.

Criteria	Commercial Customers	Industrial Customers
Low Energy User	< 250 kW of average demand < 1.5 million kWh/year < 50,000 therms/year	< 400 kW of average demand < 2.5 million kWh/year < 100,000 therms/year
Facility Size	< 50,000 sq.ft.	n/a
Number of Employees	n/a	< 10
Registered or certified small business in California (as described in Proposal 4A)	Yes	Yes

# Proposal 4C – Tariff Definition

A customer qualifies as a small business customer if it meets the definition of small business adopted by the CPUC for use in IOU tariffs.

## Small Business Eligibility Requirements

A small business customer is defined as a non-residential customer with an [annual electric usage of 40,000 kilowatt hours \(kWh\) or less, or an energy demand of 20 kilowatt \(kW\) or less, or annual consumption of 10,000 therms of gas or less](#). Alternatively, a small business customer is a customer who meets the definition of “micro-business” in California Government Code Section 14837 (Section 14837). Section 14837 defines a micro-business as a business, together with affiliates, that has [average annual gross receipts of \\$3,500,000 or less over the previous three years](#), or is a [manufacturer, as defined in Section 14837 subdivision \(c\), with 25 or fewer employees](#). The California Department of General Services is authorized to amend the gross receipt amount. In January 2010 DGS increased the gross receipt amount from \$2,750,000 to the current amount of \$3,500,000. (see, California Office of Administrative Law, Regulatory Action Number 2000-1110-01S.) This definition does not include fixed usage or unmetered rate schedule customers.

OP 3: “... non-residential [customers may self-certify](#) as a micro-business under Government Code Section 14837.”

# Proposal 4D – Hybrid

A customer qualifies as a small business customer if it meets **any one** of the criteria described below.

## Small Business Eligibility Requirements

- Fit the “small business” definition in the California Government Code Section 14837
- Have < 100 kW of average demand, or usage of <500,000 kWh/year (electric customers)
- Have gas consumption < 25,000 therms/year (gas customers)

Criteria	4A	4B		4C	4D
	CA Certified Small Business	Commercial	Industrial	Small Business Tariff Definition	Hybrid
Registered or certified California Small business	Yes	Yes	Yes	Yes* (micro business only)	Yes
Low Energy User	n/a	< 250 kW of avg demand < 1.5 million kWh/year < 50,000 therms/year	< 400 kW of avg demand < 2.5 million kWh/year < 100,000 therms/year	< 20 kW of avg demand <40,000 kWh/year < 10,000 therms/year	< 100 kW of avg demand <500,000 kWh/year < 25,000 therms/year
Facility Size	n/a	< 50,000 sq.ft.	n/a	n/a	n/a
Number of Employees	n/a	n/a	< 10 employees	Manufacturers with <= 25 employees*	n/a
Average annual gross receipts over 3 previous years	n/a	n/a	n/a	<=\$3.5M*	n/a

\*Self-certification is OK



# VOTE

- **4A – California Certified Small Business**
- **4B – Commercial/Industrial**
- **4C – Small Business Tariff Definition**
- **4D – Hybrid**