

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 28, 2009

To: The Commission
(Meeting of May 7, 2009)

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

Subject: **AB 1031 (Blumenfeld) Local government renewable energy self-generation program.
As Amended April 22, 2009**

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: OPPOSE

SUMMARY OF BILL:

This bill would expand the “Local government renewable energy self-generation program” created by AB 2466 (Laird, 2008), which allows certain local government entities, as defined, to generate renewable electricity at one location and apply the bill credits to a different location within the same local government. Specifically, this bill would clarify the existing definition of local government by including, joint powers authorities, community college districts, and the University of California or the California State University. Finally, this bill would require the State Architect in consultation with the California Public Utilities Commission (CPUC) to prepare a report on or before July 1, 2010 on the barriers to schools installing solar or other renewable energy systems and to make recommendations for removing those barriers.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

While the Commission is sympathetic to the intent of the author, the legislature should wait until the CPUC has fully implemented AB 2466 before modifying it. The Commission staff expects the utilities to file proposed AB 2466 compliance tariffs in early May. AB 2466 tariff filings will likely be protested, and the Energy Division expects to write a Resolution to resolve minor implementation issues.

SUMMARY OF SUGGESTED AMENDMENTS:

None.

DIVISION ANALYSIS (Energy Division):

- AB 2466 expansion should wait until after the program gains some experience. There may be other modifications warranted once some experience with the program is obtained.
- During the 2008 legislative process, AB 2466 was specifically amended to eliminate joint powers authorities from being able to participate in the program. One concern raised by stakeholders then was the fact that joint powers authorities often cover a widely dispersed geographic area, whereas local governments are generally confined to just one area.
- The CPUC has not yet received the initial tariffs that will allow the AB 2466 program to go into effect. The Commission hosted a workshop on January 9, 2009, where the utility staff working on AB 2466 presented key aspects of their tariff plans. The audience raised several minor concerns with the utility plans. The utilities have informally agreed with Energy Division to file the AB 2466 tariffs in early May. Based on the workshop response, the CPUC staff expects that stakeholders will protest the AB 2466 tariffs, and the Commission may need to issue a Resolution to approve or amend the tariffs.
- The impact on the CPUC would be minimal. The utilities would need to refile their AB 2466 compliance tariffs to account for the change in "eligible program participant". The CPUC Energy Division would review the revised tariffs.

PROGRAM BACKGROUND:

- None.

LEGISLATIVE HISTORY:

- AB 2466 (Laird, 2008) which is an amendment to Section 2830 of the Public Utilities Code was supported by the Commission. It creates a very narrow and limited applicability program for local governments.

STATUS:

AB 1031 was passed by the Assembly Utilities and Commerce Committee, and will be heard next by the Assembly Appropriations Committee.

SUPPORT/OPPOSITION: Unknown

STAFF CONTACTS:

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

DaVina Flemings, Legislative Liaison, OGA (916) 324-5945 dtf@cpuc.ca.gov

Date: April 28, 2009

BILL LANGUAGE:

BILL NUMBER: AB 1031 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 22, 2009

INTRODUCED BY Assembly Member Blumenfield

FEBRUARY 27, 2009

An act to *add and repeal Section 14965 of the Government Code, and to amend Section 2830 of the Public Utilities Code, relating to energy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1031, as amended, Blumenfield. ~~Local government renewable energy self-generation program.~~ Renewable energy.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes a local government, as defined, to receive a bill credit, as defined, to a designated benefitting 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 benefitting account. The existing definition of a local government excludes a joint powers authority, the state, and any agency or department of the state.

This bill would *clarify the existing definition of a local government by including a community college district and would revise the definition of a local government to include an individual campus of the University of California or the California State University and a joint powers authority or agency.*

Existing law provides that there is in the Department of General Services a State Architect who has general charge, under the Department of General Services, of the erection of all state buildings.

This bill would require the State Architect, on or before July 1, 2010, to prepare a report on the barriers to schools to installing solar or other renewable energy systems that contains recommendations for removing those barriers. The bill would also require that, in preparing the report, the State Architect consult with the Public Utilities Commission regarding barriers to school participation in the California Solar Initiative and recommendations for removal of those barriers.

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 14965 is added to the

Government Code , to read:

14965. (a) On or before July 1, 2010, the State Architect shall prepare a report on the barriers to schools to installing solar or other renewable energy systems. The report shall contain recommendations for removing those barriers. In preparing the report, the State Architect shall consult with the Public Utilities Commission regarding barriers to school participation in the California Solar Initiative and recommendations for removal of those barriers.

(b) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is chaptered before January 1, 2011, deletes or extends that date.

~~SECTION 1.~~ 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 electricity account, or more than one account, located within the geographical boundaries of a local government, that is mutually agreed upon by the local government 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 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 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 renewable generating facility" means a generation facility that has a generating capacity of no more than one megawatt, is an eligible renewable energy resource pursuant to the California Renewables Portfolio Standard Program, is located within the geographical boundary of, and is owned, operated, or on property under the control of, the local government, and is sized to offset all or part of the electrical load of the benefiting account. For these purposes, premises that are leased by a local government are under the control of the local government.

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

(5) "Local government" means a city, county, whether general law or chartered, city and county, special district, school district, community college district, political subdivision, or other local public agency, elects a joint powers authority or agency created pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, if authorized by law to generate electricity, or an individual campus of the University of California or the California State University, but shall not mean the state or any agency or department of the state, other than a 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 renewable generating facility.

(4) The electrical output of the eligible 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 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 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 may 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 renewable generating facility will be interconnected with not less than 60 days' notice prior to the eligible 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 renewable generating facility, or sell the electricity generated by the eligible renewable generating facility, in a manner other than required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to paragraph (3) of subdivision (b) 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 renewable generating facilities within the service territories of the state's three largest electrical corporations reaches 250 megawatts. Only those eligible 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.