

Date of Hearing: April 20, 2022

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Eduardo Garcia, Chair

AB 2864 (Robert Rivas) – As Introduced February 18, 2022

**SUBJECT:** Local Government Renewable Energy Self-Generation Program

**SUMMARY:** Eliminates the provision that places a 250-megawatt limitation on the state's local government renewable energy self-generation bill credit transfer program (RES-BCT).

**EXISTING LAW:**

- 1) Establishes the local government renewable energy self-generation program which authorizes a local government, as defined, to elect to have a bill credit applied to a designated benefiting account, as defined, for electricity exported to the electrical grid by an eligible renewable generating facility and requires the California Public Utilities Commission (CPUC) to adopt a rate tariff for the benefiting account. Exempts electrical corporations with 60,000 or fewer customer accounts in California from the requirements of the local government renewable energy self-generation program. (Public Utilities Code § 2830)
- 2) Defines an eligible "benefiting account" under the RES-BCT program to mean an electricity account, or more than one account, that satisfies any of the following:
  - a. The account or accounts are located within the geographical boundaries of a local government or, for a campus, within the geographical boundary of the city, county, or city and county in which the campus is located, that is mutually agreed upon by the local government or campus and an electrical corporation.
  - b. The account or accounts belong to members of a joint powers authority and are located within the geographical boundaries of the group of public agencies that formed the joint powers authority, if the eligible renewable generating facility and electricity account or accounts are wholly located within a single county within which the joint powers authority is located and electric service is provided by a single electrical corporation, with the account or accounts being mutually agreed upon by the joint powers authority and the electrical corporation.
  - c. The account or accounts belong to a tribe and are located on land owned by or under the jurisdiction of the tribe, if the eligible renewable generating facility and electricity account or accounts are wholly located within a single county within which the tribe is located and electrical service is provided by a single electrical corporation, with the account or accounts being mutually agreed upon by the tribe and the electrical corporation. (Public Utilities Code § 2830(a)(1))
- 3) Defines a bill credit as 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. (Public Utilities Code § 2830(a)(2))

- 4) Establishes billing and crediting procedures as specified. (Public Utilities Code § 2830(c))
- 5) States that 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. 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. (Public Utilities Code § 2830(h))

**FISCAL EFFECT:** Unknown. The bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for their review.

**BACKGROUND:**

*RES-BCT program* – The Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program was established by AB 2466 (Laird, Chapter 540, Statutes of 2008), and allows a local government with one or more eligible renewable generating facilities to export energy to the grid and receive generation credits to benefitting accounts of the same local government. Legislation has since expanded the program to allow university campuses, joint powers authorities, and California Native American tribes as specified to receive credits as benefitting accounts.

Under the current program, eligible entities can install up to 5 megawatts (MW) of renewable generation, offset electricity usage within their boundaries, and export excess electricity for bill credits to be shared across the multiple accounts in their entities. In other words, local governments, state-operated entities, and tribes with multiple electricity meters can generate renewable electricity in one location and have the utility credit the output of that facility against electricity consumed by the same entity at another location.

The RES-BCT program is capped at 250 MW and allocated proportionally across the state’s three largest investor-owned utilities (IOUs): 105.25 MW for Pacific Gas & Electric (PG&E), 124.59 MW for Southern California Edison (SCE), and 20.25 MW for San Diego Gas & Electric (SDG&E). As of this analysis, none of the IOUs have contracted out their maximum allotted program capacity (Table 1).

Table 1. RES-BCT participation data indicates that ~110 MW of the 250 MW program capacity remains open.

Utility	Allocated Capacity (MW)	Subscribed Capacity (MW)	Remaining Capacity (MW)	Pending Projects Capacity* (MW)
PG&E	105.25	54.238	51.012 ( <i>as of 3-31-22</i> )	51.802 ( <i>as of 3-31-22</i> )

SCE	124.591	67.135	57.456 (as of 4-1-22)	0.1832 (as of 4-1-22)
SDG&E	20.25	17.41	2.84 (as of 1-1-22)	1.73 (as of 1-1-22)
<b>Total</b>	<b>250</b>	<b>138.78</b>	<b>111.22</b>	<b>53.72</b>

According to Table 1, there is plenty of room in the RES-BCT program for new participants in all IOU territories except SDG&E. However, there is less room than there appears to be because projects are not allocated towards a utility's proportion of the cap until it is finished or nearly finished. The RES-BCT program operates on a first-come, first-served basis, meaning when a participant submits an application to the program, there is no way to reserve the proposed megawatts for that participant's project. Instead, the megawatt capacity is only allocated towards the IOU's RES-BCT cap when the project has cleared a development stage determined by each IOU for customers within their service territory. The general effect is that allocations go to projects upon *completion* not *initiation*.

Because of the first-come, first-served arrangement, there may be many pending projects at different stages of development. And in the case of PG&E, if all projects that are pending as of March 31, 2022 were to be completed, the last projects to be finished would be excluded from the program, as PG&E will have reached its 105.25 MW cap. Of the 51.802 MW categorized as pending, 33.639 MW are in the Implementation stage, i.e. constructing generators, with the remaining 18.163 MW in earlier stages.

#### COMMENTS:

- 1) *Author's Statement.* According to the author, "Assembly Bill 2864 will lift the current cap on participation in the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program, which offers local governments, public colleges and universities, and tribes the ability to save money by developing onsite renewable energy to meet their electricity needs. In the years since its inception, the Legislature has expanded eligible participants in the RES-BCT program, yet the Legislature has not expanded the program's capacity to facilitate participation by these new customers. Now, the program is nearly exhausted in PG&E and SDG&E's service territories. The challenge of dwindling program capacity is particularly difficult in the RES-BCT program, because, for practical purposes, the final megawatts under the cap are incredibly risky for customers, who risk investing in a renewable energy project that then misses out on limited remaining program capacity. AB 2864 will ensure that all local governments, public colleges and universities, and tribes will be afforded the opportunity to participate in the RES-BCT program by eliminating the program cap, while making no other changes to how the program operates."
- 2) *Unintended Consequences of Eliminating the Cap.* The RES-BCT tariff provides bill credits for exporting electricity back to the grid, but only credits the time-of-use generation component of the retail electric rate. This value, however, is greater than the wholesale rate or the avoided cost value. For example, using PG&E's E-TOU-C residential rate for simplicity, the summer off-peak rate, which corresponds to the hours that solar-only systems would export to the grid, is \$0.42/kWh. The generation-only portion of that is \$0.14/kWh. Under this rate, a RES-BCT customer would receive

\$0.14/kWh for exports rather than the full retail rate. However, the avoided cost value for mid-day hours is closer to \$0.01/kWh because the grid is already flooded with low-cost electricity generated by utility-scale solar farms. Understanding that this example is a simplification, for every kWh a RES-BCT participant exports, the grid could have purchased that kWh for \$0.13 less, and that difference is paid for by every ratepayer in the IOUs territory, including non-participants of RES-BCT. Using a PG&E B-1 commercial rate and extrapolating to assume that the entire 250 MW available to the program were compensated with the generation component of that rate, the cost-shift created by RES-BCT would be approximately \$87.5 million/year. This is likely an overestimate, as local governments and the other eligible participants may have rates with higher fixed charges and higher demand charges, creating a lower cost shift. However, it raises the question of how large this cost shift may become if the program has no limit to its size while retaining the current method of credit calculation. *Therefore, the committee may wish to consider raising the megawatt limitation rather than eliminating it and directing the CPUC to evaluate the current costs and benefits of the RES-BCT tariff and determine if the program and tariff should be modified prospectively to balance program goals of encouraging eligible customer adoption of renewable energy, while maximizing statewide grid needs and minimizing or avoiding cost impacts to nonparticipants.*

- 3) *Fix the Actual Problem.* The most pressing issue currently facing the RES-BCT program is that the first-come, first-served arrangement is creating hesitancy and undue risk surrounding the last remaining megawatts. But it is not the only imperfection in the program. Eliminating the cap avoids one problem while avoiding and possibly exacerbating other problems. For example, utilities have expressed that the billing and crediting procedures are administratively burdensome and could be improved. *Therefore, the committee may wish to consider directing the CPUC to evaluate the implementation of the RES-BCT program including the lack of reservation system and the billing and crediting procedures.*
- 4) *Examining Legacy Programs and Realigning Incentives.* The renewable energy landscape in California has changed dramatically since 2008, when AB 2466 created the RES-BCT program. As the author points out, the program's capacity has not been changed in that time. Additionally, the compensation structure has also not been altered since 2008. As it is, the RES-BCT program compensates participants according to their export to the grid. But there are other significant benefits to the RES-BCT program. According to the author's statement in the first analysis of AB 2466 (Laird, 2008), this program allows a local government to maximize the renewable electricity potential at a location that has low electricity usage by crediting the generation against the local government's usage at a different location. Additionally, any on-site usage in the locations that are well-suited to both electric generation and consumption may potentially help RES-BCT participants avoid fixed costs of volumetric electric rates. Since RES-BCT's inception, the cost of distributed solar has decreased but so has the value of exported solar-generated electricity. It took 14 years for the 250 MW cap to slow growth but the potential for further growth is unknown, especially if the structure and implementation of the program changes. *Therefore, the committee may wish to consider allowing the CPUC to review and incrementally raise the megawatt limitation after completing an evaluation of the RES-BCT program.*

5) *Prior Legislation.*

SB 479 (Laird) expanded the RES-BCT program to allow participation by California Native American tribes. Status: Chapter 141, Statutes of 2021.

AB 1773 (Oberholte) expanded the RES-BCT program to allow participation by joint powers authorities that are public agencies located within the same county and electrical corporation service territory. Status: Chapter 659, Statutes of 2016.

AB 512 (Gordon) expanded the RES-BCT program by increasing the capacity of eligible renewable generating facility from 1 MW to 5 MW, and limited the application of the program to electrical corporations with 60,001 or greater customer accounts. Status: Chapter 478, Statutes of 2011.

AB 1031 (Blumenfield) expanded the RES-BCT program to authorize a campus, defined as an individual community college campus, University of California campus, or California State University campus, to receive bill credits as a benefitting account with an electrical corporation for renewable energy exported to the electrical grid by an eligible renewable generating facility. Status: Chapter 380, Statutes of 2009.

AB 2466 (Laird) established the RES-BCT, a program for local governments who are customers of an electric utility company to generate and receive credits for renewable energy exported back to the electrical grid. Status: Chapter 540, Statutes of 2008.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

ARC Alternatives  
Association of California Water Agencies (ACWA)  
California Solar & Storage Association  
City of Fresno  
County of Fresno  
County of San Diego  
County of Santa Clara  
ENGIE North America  
Environment California  
ForeFront Power, LLC  
Solar Energy Industries Association  
Sunpower Corporation  
TerraVerde Energy, LLC  
Vote Solar

**Oppose Unless Amended**

The Utility Reform Network (TURN)

**Analysis Prepared by:** Natalie Seitzman / U. & E. / (916) 319-2083