



California Onsite Generation

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Regulatory and Policy Update

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NEWS AND ANALYSIS

POLITICS AND POLICY

2009 SESSION IN FULL SWING CHANGING OF THE GUARD ON TAP

Policy committees have been hearing hundreds of bills since the beginning of

the month, and the expected changing of the guard is underway.

Dave Cogdill (R-Fresno) has replaced Dick Ackerman (R-Tustin) as Republican leader in the Senate. While Senate Democrats have elected Darrell Steinberg to replace current Speaker pro Tem Don Perata, it's not yet clear

whether he will take the helm before the election this fall.

In the Assembly, Karen Bass is expected to take over the Speaker's gavel from Fabian Nunez on May 13. This puts Bass right in the center of the 2009-2010 Budget Battle that begins in earnest when the Governor updates his budget forecast in May. Mike Villines (R-Clovis) is the Republic leader in the Assembly.

The changing of the guard signals musical chairs for Committee members and Chairs. This means that the Assembly Utilities & Commerce Committee members may be re-shuffled, and a new Chair selected. What impact this will have on pending DG legislation is speculative, but the current Chair, Lloyd Levine, has not been favorably inclined to modify the SGIP to restore gas microturbines or cogeneration.

In the meantime, Assembly and Senate policy committees have had to act upon a slew of bills in order to meet the next set of Legislative deadlines. The Appropriations Committee is the next stop in the legislative process. In light of the gaping hole in the budget, the Appropriations Committee looms as a larger obstacle than usual. The Senate Appropriations has announced its intention to send every bill that requires \$50,000 or more in General Fund funding to the Suspense File. The limit had previously been \$150,000. Bills that require \$50,000 or more in funding will only be entertained if financial support is derived from sources other than the General Fund, according to Senator Perata, decreasing the odds of getting a bill to the Governor's desk.

LOCAL GOVERNMENT, SMART GRID, FEED IN TARIFF BILLS ADVANCE

APPROPRIATIONS SUSPENSE FILE AWAITS

The Assembly Utilities & Commerce Committee held two long sessions to tackle policy bills in April. Since bills with fiscal impacts had to be approved by April 18, policy committees have had full agendas this month.

As a result of extensive negotiation, the Committee merged provisions from two bills aimed at easing development of renewable resources by local government. The Committee merged AB 2820 (Huffman) and AB 2466 (Laird) into a single bill, retaining the 2466 bill number and making Laird and Huffman principal co-authors. Local governments have complained that they are unable to install renewable generation at landfills and similar sites, because net metering rules limit displacement to onsite load. The Huffman bill aimed to solve this problem by allowing a government agency to wheel renewable power to itself or another public agency. The Laird bill took a different tack, changing net metering limits to allow a local agency to offset its renewable generation by aggregating loads from multiple sites. The Committee opted for the net metering aggregation approach contained in the Laird bill.

The authors also added conceptual amendments to ensure that other ratepayers were not negatively impacted by the change. A specific definition of the net metering rules will be established, a cap on such net metering arrangements will be adopted, and cost-shifting to other customer classes will be prohibited. The specific language of the amendments will be added to AB 2466

before its next hearing in Assembly Appropriations.

AB 2269 (Fuentes), a bill also aimed at improving the landscape for renewables, was approved and re-referred to the Assembly Natural Resources Committee. This bill allows solar energy systems that are receiving ratepayer funded incentives from publicly owned electric utilities (POU) to be owned by a third party, installed on a POU customer site, and for the electricity to be sold directly to the POU. AB 2269 has been set for hearing on April 28.

On the Senate side, the Energy, Utilities & Communications Committee held a spirited debate on Senator Padilla's SB 1438. This bill establishes a state policy favoring investment in "smart grid." SB 1438 was unanimously approved and sent on to the Appropriations Committee. The author agreed to several amendments to address concerns raised by the opposition. Amendments are not yet in print.

Senate Energy also sent SB 1714 (Negrete McLeod) forward to Senate Appropriations. This bill requires the CPUC, effective July 1, 2009, to modify the feed in tariff (FIT) established under AB 1969 (2006) by increasing the size of eligible energy facilities from 1 MW to 4 MW (up to a statewide capacity of 250 MW), to allow third party ownership, and to adjust the rate of the FIT to more accurately reflect the environmental and system benefits of renewable energy. It also extends similar provisions to Publicly Owned Utilities.

The Senate Energy Committee plans to hold an Informational Hearing on DG

issues in San Diego. The hearing, "Distributed Generation: Opportunities and Obstacles" will take place on Friday, April 25 from 1 p.m. until 4 p.m., at the CalTrans headquarters, 4050 Taylor Street. The Committee has invited representatives from the CPUC, CEC, California ISO, SDG&E and the University of California, San Diego to participate. Bill Powers, the author of [San Diego Smart Energy 2020](#), will make a presentation on Smart Grid. The agenda is not yet available, but will be available from the Committee website early this week, www.senate.ca.gov/ftp/SEN/COMMITTEE/STANDING/ENERGY/_home/04-25-08file.htm.

NEW RPS INITIATIVE DRAWS FIRE

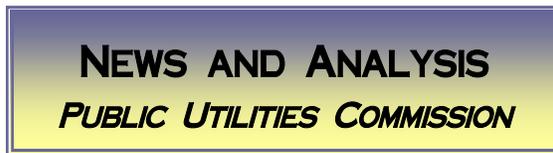
A ballot box battle is shaping up around a new initiative. The Solar and Clean Energy Act of 2008 would have at least half the state's electricity coming from the sun and other renewable sources by 2025. The initiative, which has generated more than enough signatures to qualify for the November ballot, will require all utilities, including government-owned utilities, to generate 20% of their power from renewable energy by 2010, a standard currently applicable only to private electrical corporations. It would raise requirement for all utilities to 40% by 2020 and 50% by 2025.

Peter Sperling, son of the founder of the online University of Phoenix, is bankrolling the measure. The proponents of the initiative have established a website focusing on GHG issues and how the initiative will contribute to

climate change solutions:
www.solarandcleanenergy.org/.

While this would seem to be a politically popular cause, there is a rather formidable opposition group taking form. The opposition, which includes renewable technology companies and labor unions, called the proposition a "fatally flawed" product financed by "an out-of-state billionaire with no energy expertise." Several mainline environmental organizations have also expressed concern that the initiative might result in more RPS contracts, but actually produce fewer megawatts of renewable energy.

If, after the signatures are verified, the Secretary of State has determined that the initiative has qualified, the proposition will appear on the November ballot.



DG ISSUES PREVIEWED
PORTFOLIO STANDARD, NBCS, COST
BENEFIT HIGHLIGHTED

Parties intending to take part in the Commission's new DG Rulemaking previewed the issues they intend to raise in comments filed in advance of the first hearing.

The California Clean DG Coalition (CCDC) urges the Commission to use this Rulemaking as a vehicle to adopt the recommendations in the CEC's 2007 IEPR relating to onsite generation. Included among the measures identified

in the IEPR is development of a tariff structure to make DG and CHP projects "cost and revenue neutral", elimination on non-bypassable charges for DG and CHP, and a DG portfolio standard.

The California Energy Commission recommends that the Rulemaking include several issues:

- Utility hedging of natural gas price risk of small CHP to reduce the impact of gas volatility on small projects.
- Implementation of [AB 1613](#).
- Review of Standby and Non-bypassable Charges for Small CHP.

GreenVolts, a developer of renewable projects, asks the Commission to consider adding compensation for the value of Locational Benefits (LBs) associated with renewable Wholesale Distributed Generation (WDG), to the issues to be considered in this proceeding. GreenVolts defines WDG as close-to-load generation that is sold directly to utilities, typically renewable power projects sized between 1 MW and 20 MW that are interconnected to a utilities' distribution system. If the Rulemaking will address compensation for such projects, GreenVolts argues, it will address the big gap between CSI/net metered projects and typical large scale projects that the utilities acquire as part of the RPS mandate. They include a detailed analysis of the locational benefits of WDG as a separate attachment to the filing: docs.cpuc.ca.gov/EFILE/CM/80092.htm.

SoCalGas/SDG&E urge the Commission to review who should administer the SGIP program in its service territory. In addition, the Sempra Utilities suggest

that a current cost-benefit study should be performed.

The Division of Ratepayer Advocates does not take issue with the proposed scope of the rulemaking, but wants to preserve its ability to ask for evidentiary hearings. DRA suggests that the completed cost benefit analysis of the CSI and SGIP programs may call into question the very viability of these programs. DRA suggests that evidentiary hearings may be the only way to examine the facts of the case.

SCE agrees with DRA that hearings may be necessary upon completion of the cost-benefit analysis.

A Prehearing Conference is set for Tuesday, April 21 at 10:00 a.m. At the PHC, parties will discuss the potential scope and schedule for the proceeding. The Assigned Commission is expected to issue a scoping order within a few weeks of the PHC.

**NEW SGIP TECHNOLOGIES
PROPOSED
NEW PROCESS FOR REQUESTING
INCLUSION IN PROGRAM DEVELOPED**

The Self-Generation Incentive Program Working Group, which includes the program administrators and SDG&E, has addressed requests by various proponents seeking to have their technologies added to the SGIP program. The Energy Division, reviewing those recommendations, has issued a separate proposal. While the SGIP Working Group did accept several Program Modification Requests to add new technologies to the list of those eligible for the SGIP, the Energy Division rejected nearly all the requests.

President Peevey issued a [ruling](#) on April 4 inviting interested parties to comment on the both sets of recommendations.

The SGIP Working Group, responding to a request by Solel, recommends adding Solar Thermal Electric defined as a solar field driven turbine system fueled solely by a solar field or fueled by a solar field in combination with either a renewable or natural gas back-up fuel system contributing 25% or less of the fuel input.

PG&E, SCE, SoCalGas and SDG&E recommend that Organic Rankin Cycle Waste Heat to Electricity Generation technologies be rejected for eligibility in the SGIP. This recommendation responds to a request by UTC. In a minority opinion, SDREO (now called [CCSE](#)) concluded that the technology meets the required intent of the following SGIP goals: peak demand reduction and emphasis on zero emissions generation technologies. They recommend the Commission consider defining “waste heat” as a renewable fuel, and making projects eligible for Level 3-R.

Solar Thermal Motors (STM) proposed that Stirling engine generators be defined as eligible under Levels 3-R and 3-N. (SoCalGas did not participate in this review, since they hold minor ownership interest in STM.) The other members of the SGIP Working Group did not come to a complete consensus.

- If the Stirling engine generating system is fueled by a waste heat stream the WG unanimously recommended it not be eligible for SGIP.

- If the Stirling engine generating system is fueled by a renewable fuel (as defined) they unanimously recommend it be eligible for SGIP as a Level3R technology with an incentive rate of \$1.00/watt.
- If the Stirling engine generating system is fueled by a nonrenewable fuel, the Working Group does not have a unanimous recommendation.

Another applicant, Intellergy Corp., proposed that the definition of renewable fuel be changed to include syngas made from medical waste. The Working Group declined to accept this proposal, finding that the change was outside its jurisdiction.

Other applicants submitted proposals seeking to be included in the SGIP, but were rejected at this time.

The Energy Division, whose recommendations are included in the filing as Appendix B, was much more negative, rejecting nearly all of the proposed Program Modification Requests. Energy Division's rationale for the rejections is that the technologies in question are outside the jurisdiction set by [AB 2778](#).

The Assigned Commissioner asks parties to comment on the Working Group recommendations, the Energy Division's recommendations and on a separate proposal to change the Program Modification Request (PMR) process currently in place.

Comments are due on April 21. All the relevant documents: the ACR, the Working Group recommendations, the

Energy Division recommendations and the new proposed PMR process are available at: www.cpuc.ca.gov/EFILE/RULINGS/80849.htm.

NEWS AND ANALYSIS
CALIFORNIA ENERGY COMMISSION

SMART GRID WORKSHOP SET

As a follow up to the scoping workshop held in March, the Efficiency Committee of the CEC has announced that it will conduct a second workshop on Smart Grid technology and policy issues. Chairman Jackalyne Pfannenstiel is Presiding Member and Commissioner Arthur Rosenfeld is the Associate Member.

As part of its initiative to develop new load management standards, the Efficiency Committee has identified a number of topics it intends to address:

- The development of business cases for the adoption of an Advanced Metering Infrastructure for Publicly-Owned Utilities (POUs);
- The functional design, communication capabilities and dispatch logistics of enabling technologies that allow customers to automate their voluntary response to price and reliability signals;
- Electricity rate design;
- Opportunities for capturing the peak load reduction and conservation potential of energy storage and permanent load-shifting technologies;

- Deployment of advanced metering;
- Deployment of enabling technologies; and
- Development of customer assistance and education strategies.

However, there were issues raised at the March 3 scoping workshop and in written comments that the Committee believes warrants a second look before adopting standards. The second workshop will be held:

TUESDAY, APRIL 29, 2008
 10 a.m.
 CALIFORNIA ENERGY
 COMMISSION
 1516 Ninth Street
 First Floor, Hearing Room A
 Sacramento, California

The Staff Report is expected in August, 2008, with a workshop and comments. Adoption of new load management standards would follow this public process.

WORK TO UPDATE ENERGY POLICY REPORT BEGINS

The Integrated Energy Policy Report (IEPR) Committee will hold a workshop on April 28 to scope out the issues for the current cycle of the Integrated Energy Policy Report. The Committee intends to develop the *2008 IEPR Update* and the *2009 IEPR* concurrently, with work beginning in 2008 on the detailed assessments, analyses, and forecasts for the *2009 IEPR* that are required by Senate Bill 1389. The *2008 IEPR Update* will focus on a subset of specific energy issues that the Committee has identified as needing immediate attention, and will be

developed in a shorter timeframe than the *2009 IEPR*.

Issues identified for the 2008 Update include examining obstacles to reaching 33% renewables, GHG recommendations, and changes to some of the forecasting techniques. Notably, one of the objectives for 2008 includes a summary of an evaluation of the California Public Utilities Commission's Self Generation Incentive Program to determine the costs and benefits of providing ratepayers subsidies for renewable and fossil fuel "ultraclean and low-emission distributed generation" as required by Assembly Bill 2788. The CEC reports that a kick-off meeting for this effort was held on March 27, 2008. A draft consultant report is anticipated in July 2008, followed by a workshop in August. A final report is anticipated to be completed in December 2008. The *2008 IEPR Update* will include a summary of the report's findings and recommendations.

The workshop will be held:

MONDAY, APRIL 28, 2008
 10:30 a.m.
 CALIFORNIA ENERGY
 COMMISSION
 1516 Ninth Street
 First Floor, Hearing Room A
 Sacramento, California

NEWS AND ANALYSIS
GHG

**USEPA REPORTS GHG
DECLINE**

The U.S. Environmental Protection Agency has released the national greenhouse gas inventory, which finds that overall emissions during 2006 decreased by 1.1 percent from the previous year. The report, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006*, is the latest in an annual set of reports that the United States submits to the Secretariat of the United Nations Framework Convention on Climate Change, which sets an overall framework for intergovernmental efforts to tackle the challenge posed by climate change.

Total emissions of the six main greenhouse gases in 2006 were equivalent to 7,054.2 million metric tons of carbon dioxide. These gases include CO₂, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride. The report indicates that overall emissions have grown by 14.7 percent from 1990 to 2006, while the U.S. economy has grown by 59 percent over the same period.

According to the report, the decrease in emissions in 2006 was due primarily to a decrease in CO₂ emissions associated with fuel and electricity consumption. The following factors were primary contributors to this decrease:

- compared to 2005, 2006 had warmer winter conditions, which decreased consumption of heating

fuels, as well as cooler summer conditions, which reduced demand for electricity;

- restraint on fuel consumption caused by rising fuel prices, primarily in the transportation sector; and increased use of natural gas and renewables in the electric power sector.

EPA prepares the annual report in collaboration with experts from multiple federal agencies and after gathering comments from a broad range of stakeholders across the country.

The inventory tracks annual greenhouse gas emissions at the national level and presents historical emissions from 1990 to 2006. The inventory also calculates carbon dioxide emissions that are removed from the atmosphere by “sinks,” e.g., through the uptake of carbon by forests, vegetation and soils.

Information on the greenhouse gas inventory report:
www.epa.gov/climatechange/emissions/usinventoryreport.html

NEWS AND ANALYSIS
FEDERAL ISSUES

**CANTWELL-ENSIGN AMENDMENT
PRESERVES PTC FOR ONE
YEAR**

The U.S. Senate has agreed to add an amendment to a housing stimulus bill that extends several important tax credits for energy efficiency and renewables. The amendment offered by Senators Maria Cantwell (D-WA) and John

Ensign (R-NV) provides for approximately \$6 billion in tax incentives for renewable energy projects, including an extension of the solar investment tax credit. It also provides one- or two-year extensions of credits for efficient homes and buildings and the manufacturing of several efficient appliances.

Governor Arnold Schwarzenegger issued a statement regarding the U.S. Senate's adoption applauding the bipartisan show of support. "Our future

is clean technology, energy independence and green investment," said the Governor. "To help us get there, these kinds of renewable energy and efficiency tax credits are critical. This is exactly what government should be doing to protect our environment and boost our economy at the same time. I once again urge Congress to find a way to put a bill on the President's desk that he will sign."

DG IN THE NEWS...

Capstone Turbine Corporation (www.microturbine.com) announced that it has received an order valued at \$2.03 million from Samsung C&T Corporation, its distributor in South Korea. The order is for Capstone's C65, C65 Combined Heat & Power (CHP) and Resource Recovery Biogas Micro Turbine® systems.

Samsung C&T Corporation, the origin of the Samsung Group, is renowned for a vast range of business activities and is also engaged in energy services management for commercial and industrial customers throughout South Korea. Previous Capstone microturbines shipped to Samsung have been installed in CHP and resource recovery applications.

The Carbon Footprint Exchange, co-founded by Peter Fusaro, announced the launch of its website, www.retractimpact.com, a site designed to inform, educate, engage, and contribute to the fight against global warming. Swift, easy, and streamlined, the site discusses the climate change crisis while explaining the impacts of direct and indirect carbon footprints. Individuals are encouraged to reduce, reuse, and recycle. A Carbon Calculator allows users to assess and offset their own impact on the environment. Visitors are encouraged to purchase Carbon Offsets on the site in the form of Verified Emission Reductions (VERs) to directly offset their individual impact on the environment. The change to a low-carbon lifestyle is incremental but can begin with a look at the new site, benchmarking personal carbon emissions, and the certainty of being part of a reliable, transparent initiative.

In the largest deal of its kind between any utility and homebuilder in the U.S., the Sacramento Municipal Utility District (SMUD) [announced on April 3](#) that it will partner with Woodside Homes to build 1,487 SolarSmart homes in subdivisions near Rancho Cordova. The partnership with Woodside Homes is the tenth SMUD has struck with homebuilders since 2007. Under these partnerships, SMUD provides rebates and incentives worth nearly \$6,000 per home to lower the cost of energy-efficient and solar technology — a move that has resulted in the development of more than 4,000 SolarSmart homes in Sacramento and Placer counties. [SolarSmart](#) homes — boasting solar panels, efficient HVAC systems, added insulation, attic radiant barriers, duct sealing and energy-efficient lighting — have the potential to save residents as much as 60% on their electric bills each year. SMUD says that in 2009 more than 30% of the new homes in its service territory will be SolarSmart homes.

Energy Calendar

If you have an event you would like to have included in COG's event calendar, please email the information to COG@lindhassociates.com

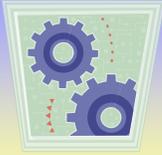
PUC	Prehearing Conference in New DG Rulemaking	April 22
CEC	CEC Business Meeting	April 23
CPUC	CPUC Business Meeting	April 24
Leg	Senate Energy Informational Hearing on DG	April 25
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Leg	Last Day for Policy Committees to Consider 2008 Bills	May 2
CEC	CEC Business Meeting	May 7
Conf	Sempra CHP Seminar - Downey Research Facility	May 7
CPUC	CPUC Business Meeting	May 15
Conf	Navigating the Carbon World - Climate Registry www.climateregistry.org/EVENTS/Conference/	May 15-16
CEC	CEC Business Meeting	May 21
Conf	Joint Forum on Bioenergy, Sustainability, and Lifecycle Analysis www.cevs.ucdavis.edu/Cofred/Public/Aca/ConfHome.cfm?confid=360	May 28-30
CPUC	CPUC Business Meeting	May 29
Leg	Last Day to Pass Bills out of House of Origin	May 30
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Gov	Statewide Primary Election	June 3
CEC	CEC Business Meeting	June 4
CPUC	CPUC Business Meeting	June 12
CEC	CEC Business Meeting	June 18
CPUC	CPUC Business Meeting	June 26
Leg	Last Day for Policy Committees to Consider Bills Originating in the Other House	June 27
<hr/>		
CEC	CEC Business Meeting	July 2
Leg	Summer Recess Begins (if Budget passed)	July 3

We always strive to publish accurate and timely information in California Onsite Generation. If you feel that an item reported in our newsletter is in error, or if you have an opinion on news or analysis contained in the report that you would like to share, please let us know, so that we can set the record straight. Contact us at:

Email: COG@lindhassociates.com

Phone: Karen Lindh 916-729-1562

Chuck Solt 916-729-5004



COGITO...POINT OF VIEW BY ALLEN DUSAULT, SUSTAINABLE CONSERVATION

It's Time to "Connect the Dots" in Environmental Policy

California has established ambitious goals under the 2006 Climate Change legislation (AB 32) to achieve significant reductions in greenhouse gas emissions from diverse sectors of our economy. California's approach could set an example for the rest of the country to follow. In fact, it may serve as the basis for a national model for controlling and reducing greenhouse gas emissions with the next administration in Washington, D.C. However, there are some significant conflicts between reducing greenhouse gases and current environmental regulations that may impede how much can be achieved, at least for sectors of our economy which can provide "carbon" offsets. The agricultural sector, in particular, is a likely source of low cost offsetting emissions but new water discharge rules and criteria air pollutants regulations may get in the way.

A particular obstacle is the "isolated media" approach that is embedded in both regulation and agency structure (i.e. water, air, etc.). What results in practice is that environmentally beneficial projects can be caught in "regulatory sudden death". For example you could have a project that destroys 1000 units of air or water pollution from an unregulated source but creates 10 units of the same or different pollutant from a regulated source. If available control technology cannot reduce that "new" pollution below the regulated level of say 5 units, or it is too expensive for the project to be viable, that project will stall or fail. This makes the point that a regulatory standard does not always benefit the public health and environmental regulations have unintended consequences that can actually discourage environmentally beneficial practices. Because regulations are focused on preventing what we don't want to see, these rules seldom consider what we want to encourage or how it can be achieved.

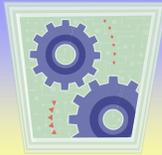
A specific example where new beneficial technology is being discouraged is methane digesters, particularly on dairies. By way of background, it is useful to recognize that California is the largest dairy State in the nation, with 20% of all milk production nationally. With 1.7 million cows and over a hundred pounds of "waste" produced every day by each cow, that is a lot of manure. Typically open "ponds" are used to store manure. But large quantities of "biogas," containing about 60% methane, are released from the stored manure, as much as 6 million metric tons of methane annually on California dairies when you include cow biogas. Using a methane digester to process the manure not only destroys much of the methane but also benefits water quality, air quality and reduces odors while generating carbon-negative renewable electricity.

However, new San Joaquin Valley Air District Rules and Regional Water Board requirements are making digesters very hard to build. The Water Board is asking that the ponds be designed like hazardous waste facilities with double liners and leachate collection to protect groundwater. And the Air District is requiring the engines that burn the biogas to achieve a level of NOx reduction called “ultra clean” that has not been demonstrated in practice. As a result few dairymen are interested in building digesters. And those that have committed to building them are finding the costs are now prohibitive. Even with a new “feed in” tariff that requires the utilities to buy this renewable electricity at a premium price, it doesn’t appear to be enough to make these facilities financially attractive when the costs of these controls are added in. It is not that dairymen are against installing pollution control equipment. But they are not willing to install equipment that is so expensive as to make the project a financial liability, particularly when they are not credited for the environmental benefits they are achieving by voluntarily adopting a technology that is being promoted by the California Air Resources Board and the Economic and Technology Advancement Advisory Committee, who are working to promote practices that significantly reduce greenhouse gas emissions.

What is needed is for the regulatory agencies to “rationalize” their approval process and start looking at the “net environmental benefit” that a project achieves. In the case of digesters on dairies and other animal operations, there are significant net environmental benefits that are not being recognized. The regulatory agencies say they can’t do that. But they are wrong. There is precedent in California and other States that demonstrates they can in fact consider cross media impacts and provide for streamlined and rationale approval process for projects that have significant benefits for the environment. My organization has pioneered such an approach in California with our “Partners in Restoration Program” (PIR) which looks to reduce soil erosion from stream banks along farm fields. PIR brings together more than half a dozen state and federal agencies to develop a “one stop permit” that acknowledges the overall benefit of stream bank stabilization and reduced erosion. Importantly, it also recognizes that there are water quality and potentially endangered species impacts involved in the stabilization that are unavoidable. But they are far outweighed by the improvements to water quality and the environment that result.

It comes down to a matter of will and finding a way. Whether regulators believe they can or can’t consider “net environmental benefit” in approving projects, they are right.

Allen Dusault is a Program Director at Sustainable Conservation overseeing their Sustainable Agriculture Program. He has pioneered practices and technologies on California farms that have both economic and environmental benefit including conservation tillage, dairy manure composting, and biomethane purification for injection in the natural gas pipeline. He has been successful at getting nearly a dozen new digesters built and was instrumental in the recent passage of a feed-in tariff for renewable generators that pays a price premium for the electricity. Allen can be contacted at: adusault@suscon.org.



2008 Legislation at a Glance

New text indicated in italics

Bill Number	Summary	Status
AB 1807 Fuentes	<p>Renewables: Feed In Tariff Last amended March 28, requires the CPUC to develop and approve a feed-in tariff for each utility that provides for payment for every kWh 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. The methodology for developing the base rate may include appropriate incentives for operations that match peak demand or serve load pockets. The base rate is to be determined in such a way that it declines over time to reflect improvements in technology and operational practices. Determines how RECs are to be allocated.</p>	<i>April 7 hearing cancelled, Assembly Utilities & Commerce</i>
AB 1851 Nava	<p>GHG: Sale of Voluntary Offsets Last amended April 3, requires sellers of voluntary GHG emission offsets to hire independent 3rd-party verifiers to ensure that the project or projects generating the emission offsets meet protocols and requirements to be developed by ARB. A person selling offsets in the state would be required to disclose specified information in its marketing materials for those offsets. Also creates a voluntary California Certified Greenhouse Gas Emission Offset program, and allows those that meet the program's requirements to advertise the certification.</p>	<i>Do pass as amended Assembly Natural Resources, referred to Assembly Approps</i>
AB 1920 Huffman	<p>Solar and Wind: NEM Last amended March 13, clarifies that, under the CSI, only the capacity needed to offset the electricity demand of the consumer is eligible for ratepayer funded monetary incentives, even though solar energy systems that exceed customer demand are permitted; makes technical revisions to net energy metering provisions. Requires the CPUC or other ratemaking authority to establish, by July 1, 2009, a net surplus electricity compensation rate for all net surplus electricity generated by wind and solar, or a hybrid of the two, and clarifies the rules governing such payments, including a requirement that the customer make an affirmative choice to enter into a contract with the utility for the surplus.</p>	<i>Do pass Assembly Natural Resources; referred to Assembly Approps</i>

AB 2003 Saldana	Climate Protection and Energy Efficiency Bond Act of 2008 Enacts the Climate Protection and Energy Efficiency Bond Act of 2008 which, if adopted by the voters, would authorize the issuance and sale of \$2,000,000,000 in state general obligation bonds for specified purposes, including expanding the development and use of solar, wind, and geothermal energy, fuel cells, and other energy generating technologies and energy efficiency investments assisting low income customers and state buildings.	<i>Set April 28, Assembly Natural Resources</i>
AB 2267 Fuentes	Climate Change: California Preference Last amended April 3, generally provides that it is the policy of the state to promote all feasible means of energy and water conservation and all feasible uses of alternative energy and water supply sources while providing economic benefits for California by promoting California-based technology firms, jobs, and business. Authorizes various California agencies, including the ARB, CEC and CPUC to provide preference to California-based businesses.	<i>Do pass as amended April 16, Assembly Jobs, Economic Development and the Economy; referred to Assembly Approps</i>
AB 2269 Fuentes	Municipal Utilities: Solar Last amended April 9, authorizes the electricity generated by a solar energy system located on the consumer's premises to be sold to the local publicly owned electric utility if specified requirements are met.	<i>Set for hearing April 28, Assembly Natural Resources</i>
AB 2768 Levine	CSI Rates Revises CSI to allow solar customers to choose TOU or flat rates.	<i>Do pass Assembly U&C; referred to Assembly Approps</i>
AB 2790 Blakeslee	Sustainable Biofuel Resource Last amended April 3, requires the CEC, in collaboration with other entities, to establish a voluntary certification program to establish environmental, economic, and social criteria for a biofuel qualifying as a California sustainable biofuel resource. Certain specified factors must be considered in developing the certification criteria.	<i>Failed passage Assembly Natural Resources</i>
AB 2791 Blakeslee	"Pay as You Go Financing" Pilot Revises Sec. 2842 of the PU Code expanding eligibility to government facilities for "pay as you go" financing pilot established by AB 1613 for CHP customers with a generating capacity of not more than 20 MW.	<i>Do pass Assembly Utilities & Commerce; referred to Assembly Approps</i>
AB 2820 Huffman	Renewable Energy Resources Beverage Container Recycling Last amended April 17, now deals with a topic totally unrelated to wheeling of renewable electricity to a public agency.	<i>Assembly Natural Resources</i>
SB 1438	Smart Grid	<i>Do pass as</i>

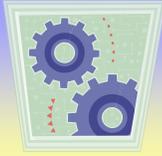
<p>Padilla</p>	<p><i>Last amended April 9, requires the CPUC, by January 15, 2009, and in consultation with the Energy Commission and the Independent System Operator, to develop a definition of an electrical "smart grid" that will achieve certain goals and to develop standards and protocols for the deployment of smart grid technologies and services that will improve overall efficiency, reliability, and cost-effectiveness of electrical system operations, planning, and maintenance. The bill would require each electric utility, by June 30, 2010, to develop and submit a smart grid deployment plan to the CPUC for approval and would authorize the Commission to authorize the utility to recover reasonable costs of deploying smart grid technologies and services from ratepayers.</i></p>	<p><i>amended April 15, Senate Energy, Utilities & Communication; referred to Senate Approps</i></p>
<p>SB 1460 Wiggins</p>	<p>SGI Solar Energy on Rental Property <i>Last amended April 3, requires the CPUC to develop a program to facilitate energy efficiency and solar investment on apartment buildings and similar rental property.</i></p>	<p><i>Do pass April 15 Senate Energy</i></p>
<p>SB 1484 Alquist</p>	<p>Clean Energy Tax Credits <i>As amended, eliminates credits and deductions currently allowed to taxpayers engaged in the business of oil production and provide for future credits and deductions for costs related to clean energy technology.</i></p>	<p><i>Set April 23, Senate Revenue & Taxation</i></p>
<p>SB 1506 Alquist</p>	<p>SGIP: California Manufacture Zero Emission Vehicles <i>Last amended April 16, deletes SGIP language, substituting a new bill dealing with zero emission vehicles.</i></p>	<p>Senate Rules</p>
<p>SB 1512 Wiggins</p>	<p>California Solar Initiative <i>Last amended April 7, expands the eligibility for the CSI to allow the PV system to be "sized to load" including contiguous property owned or leased by the consumer, so long as the load is served under one meter.</i></p>	<p><i>Do pass as amended April 15, Senate Energy; referred to Senate Approps</i></p>
<p>SB 1672 Steinberg</p>	<p>Renewables Bond Act <i>Last amended April 3, this bill enacts the Renewable Energy, Climate Change, Career Technical Education, and Clean Technology Creation Bond Act to be submitted to the voters at the _____ statewide election. If approved by the voters, the Act would authorize the issuance of \$3 billion in general obligation bonds to develop renewable energy and clean technology businesses, jobs, and educational and worker training programs.</i></p>	<p><i>Set for hearing, April 17, S-Education</i></p>

<p>SB 1714 Negrete McLeod</p>	<p>Renewables: Tariffs Last amended April 10, this bill requires the CPUC, effective July 1, 2009, to modify the feed in tariff (FIT) established under AB 1969 (2006) by increasing the maximum capacity of eligible energy facilities to 4 MW (up to a statewide capacity of 250 MW), allow third party ownership, and adjust the rate of the FIT to more accurately reflect the environmental and system benefits of renewable energy. Extends similar provisions to Publicly Owned Utilities.</p>	<p><i>Do pass as amended April 15</i> Senate Energy, Utilities & Communications; referred to Senate Approps</p>
<p>SB 1759 Perata</p>	<p>New Generation Declares the intent of the Legislature that state agencies with jurisdiction in the area of electric energy generation, procurement, siting, permitting, and rate-setting, and renewable energy development in both electricity and transportation sectors require proponents of new powerplant construction to conduct a thorough and robust renewable energy alternatives assessment prior to the approval of new fossil-fueled based electric generation. If a more carbon-beneficial combination of energy producing or energy saving sources is available, then the proponent should be required to pursue that avenue. This process should begin with all currently approved and expected powerplants.</p>	<p>Senate Rules</p>
<p>SB 1760 Perata</p>	<p>Climate Action Team Creates, by statute, a Climate Action Team, composed of representatives of various state agencies.</p>	<p>Senate Environmental Quality</p>
<p>SB 1768 Yee</p>	<p>Utility: Cogeneration Definition The existing definition of an electrical corporation does not include a corporation or person employing cogeneration technology or producing power from other than a conventional power source for the generation of electricity solely for specified purposes. This bill would make technical, nonsubstantive changes to the above-described exception.</p>	<p>Senate Rules</p>

For web access to Legislative hearings, visit:

Assembly - www.assembly.ca.gov/committee_hearings/defaulttext.asp

Senate - www.senate.ca.gov/~newsen/audiotv/audiotv.htm



2008 Regulation at a Glance

MAJOR POLICY INITIATIVES		
Energy Action Plan		
Activity	Summary	Status
Energy Action Plan Update	Deciding that a new plan would not be "productive," the CPUC and CEC have instead produced a 2008 update to the Energy Action Plan that was formally adopted in 2005. The update focuses on those actions being undertaken by the CPUC and the CEC as part of its IEPR responsibilities to reduce greenhouse gas emissions.	Issued February 14.
Bioenergy Action Plan		
California Integrated Waste Management Board Strategic Directive 9	Staff will provide the Board with an update on activities. Among the topics covered in this Agenda Item , "a guidance document that provides a basic outline of how current Board statutes and regulations apply to various types of conversion technologies. "	Heard in Strategic Policy Development Committee only.
Direct Access		
R.07-05-025 <i>Rulemaking Regarding Whether, or Subject to What Conditions, the Suspension of Direct Access May Be Lifted ...</i>	<i>In an Assigned Commissioner's Ruling issued April 18, the schedule for considering Phase IIa and Phase IIb was established. Phase IIa will address the full range of effects relating to the removal of DWR from its power supply role (not just the legal implications relating to the DA suspension). Phase IIb of the proceeding will address the substantive merits of reinstating DA and relevant market prerequisites whereby DA would be in the public interest.</i>	CACES proposal on DWR contracts begins May 5. Workshop on DWR contract novation set for June 2. Proposed Decision due in August.
Greenhouse Gas (GHG) Regulation		
CPUC		
R.06-04-009 Rulemaking re: GHG Emission Standards	Electric and Natural Gas The CEC and CPUC have forwarded a joint proposal to the ARB that adopts comprehensive regulatory strategies to meet AB 32 greenhouse gas reduction goals. (Interim Opinion on Greenhouse Strategies (Docket # 07-OIIP-1) and CPUC recommendations). The Commissions recommend that the ARB adopt a mix of direct mandatory/regulatory requirements and a cap-and-trade system for the energy sectors.	D.08-03-018 approved on March 13.

<p><u>R.06-04-009</u> Rulemaking re: GHG Emission Standards (cont.)</p>	<p><i>The California Public Utilities Commission (CPUC) and the California Energy Commission (Energy Commission or CEC) will conduct a joint workshop in order to discuss greenhouse gas (GHG) emission allowance allocation methods in the electricity sector and review Stage 2 modeling results.</i></p> <p><i>In response to stakeholder comments on E3's Stage 1 greenhouse gas model, E3 is revising its treatment of CHP generation. 'Stage 2' proposed modifications reflect the CEC/CPUC recommendations to the CARB on GHG regulatory strategies described in the "Interim Opinion on Greenhouse Gas Regulatory Strategies" (CEC-100-2008-002-F, CPUC Decision 08-03-018). In addition, the document describes how the Stage 2 issues of allocation/auction and flexible compliance will be modeled, and addresses some of the stakeholder comments on the Stage 1 model, submitted to the CPUC in January 2008, which relate to Stage 2 modeling issues.</i></p> <p><i>The document "Joint California Public Utilities Commission and California Energy Commission Staff Paper on Options for Allocation of GHG Allowances in the Electricity Sector," which will be discussed at the workshop is available: www.energy.ca.gov/ghg_emissions/meetings/</i></p>	<p><i>April 21, 10 a.m. - 5:00 p.m., Auditorium, CPUC, 505 Van Ness Ave, SF</i></p> <p><i>April 22, 9:00 - 3:00 p.m., Auditorium, CPUC.</i></p>
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California Air Resources Board (CARB)

<p>AB 32 (California Global Warming Solutions Act of 2006) Implementation www.arb.ca.gov/cc/cc.htm</p>	<p>Reporting</p> <p>The Board adopted a regulation imposing Facility-based reporting for Cement Plants, Power Plants, Cogeneration units over 1 MW, Refineries, Hydrogen Plants, and Large Combustion units emitting over 25,000 metric ton CO2/year. Under the new rule, the first report from all affected DG facilities will be required April 2009 and annually thereafter.</p> <p>The ARB Scoping Plan Scenarios Workshop has been re-scheduled. ARB has developed a comprehensive scenario approach, combining both economic and non-economic analysis, which will be presented at this workshop. The policy scenarios being evaluated include various mixes of available policy tools—such as direct regulations and market-based mechanisms. These scenarios will be compared to assess the consequences of various approaches that may be employed to achieve the required greenhouse gas reductions. The staff will present different combinations of potential emission reduction measures and discuss preliminary analysis of the scenarios. The announcement for this meeting is posted at: www.arb.ca.gov/cc/scopingplan/meetings/5_05notice/may_5_2008_workshop_notice.pdf</p> <p>Modeling</p> <p>An updated Energy 2020 Assumptions Book and additional documentation of the Energy 2020 model are posted at: www.arb.ca.gov/cc/scopingplan/economics-sp/models/models.htm</p>	<p>Approved on December 6; staff finalizing changes before OAL review.</p> <p>May 5, 9:00 a.m. - 5:00 p.m. Byron Sher Auditorium, CalEPA, Sacramento.</p>
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<p>California Climate Registry www.theclimateregistry.org.</p>	<p>The Climate Registry released the draft General Verification Protocol for public comment. This protocol will give detailed guidance on the process of verification, along with the accreditation process for verifiers. The draft is available for download from their website.</p>	<p>Written comments were due by March 14.</p>
<p>Climate Action Team</p>	<p><i>The Climate Action Team (CAT) Subgroup on Electricity and Natural Gas, in conjunction with Air Resources Board (ARB) staff, will hold a public workshop to discuss GHG reduction measures pertaining to the electricity and natural gas sectors.</i></p> <p><i>The GHG reduction measures presented in this workshop are proposed for possible inclusion in the AB 32 Scoping Plan, and include energy efficiency, renewables, combined heat and power, and other forms of distributed generation. This workshop will not cover the market-based approaches recommended by the California Energy Commission / California Public Utilities Commission joint proceeding on greenhouse gas regulatory strategies.</i></p> <p><i>The formal workshop notice is posted at: www.arb.ca.gov/cc/scopingplan/electricity-sp/meetings/050208/electnatrlgasmay2notice.pdf.</i></p> <p><i>Webcast links are posted the day of the workshop at: www.calepa.ca.gov/broadcast/?BDO=1</i></p>	<p><i>Friday, May 2, 2008 9 a.m. to 4 p.m. Byron Sher Aud., 2nd Floor Cal/EPA, 1001 "I" Street, Sacramento, CA</i></p>

California Public Utilities Commission www.cpuc.ca.gov/		
Solar/DG		
Activity	Summary	Status
<p>Rulemaking Regarding Rules for the CSI, the SGIP and Other DG Issues. R.08-03-008</p>	<p><u>Rulemaking</u></p> <p>The new docket, R.08-03-008 is intended to address and refine policies, rules and programs for the CSI and the Self-Generation Incentive Program (SGIP).</p> <p>The Rulemaking identifies three broad areas for action:</p> <ul style="list-style-type: none"> • Further development of policies and program rules in support of the CSI; • Consideration of DG policy issues generally and ongoing management of the SGIP; and • Resolution of the cost-benefit methodologies initially explored in R. 03-04-017. 	<p>Prehearing Conference on April 22.</p>

	<p><u>Self Generation Incentive Program</u></p> <p>FuelCellEnergy has asked the Commission to change D.04-12-045 to increase the limit of incentive payments available under the Self-Generation Incentive Program from the current cap of 1 MW to 3 MW. President Peevey authored a Proposed Decision rejecting the request on January 15. On February 8, FCE submitted amended petition for modification, augmenting the record with specific cost data, which was filed under confidentiality protections. Subsequently, <i>the first Proposed Decision rejecting FCE's petition was withdrawn.</i></p> <p><i>President Peevey issued a revised PD, granting FCE's petition, in part, to increase the SGIP cap from 1 to 3 MW for SGIP eligible projects. The approval is limited, however, allowing a pilot for 2008 and 2009 only. SGIP program administrators can use carryover funds from prior budget years during 2008-09 to pay incentives up to 3 megawatts (MW) for projects qualifying for the SGIP. Incentives over 1 MW will be paid at a lower rate.</i></p>	<p><i>Revised PD appears as Item 6 on the consent calendar of the Commission's April 24 agenda.</i></p>
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	<p><u>California Solar Initiative</u></p> <p><i>The California Center for Sustainable Energy and the California Solar Energy Industry Association jointly filed a petition to modify D.06-01-024. They request that the SWH Pilot Program be expanded to the PG&E and SCE service territories. They also seek extension of the Pilot Program's duration for six additional months to dovetail with implementation of AB 1470.</i></p> <ul style="list-style-type: none"> <i>The Division of Ratepayer Advocates asked that the Motion be circulated to the Energy Efficiency Docket, in addition to the DG Docket. ALJ Duda turned the request down, but advised them that they could make the request again as part of the April 24 comments.</i> <p><u>CSI Progress Report</u></p> <p><i>In the second progress report issued, staff indicates that California Solar Initiative program demand remains robust through the first quarter of 2008.</i></p> <ul style="list-style-type: none"> <i>As of March 31, 2008, <u>the California Solar Initiative has applications equaling 249.3 MW of new solar, including 40.7 MW added in the first quarter of 2008.</u> Projects have twelve months to complete installation.</i> <i>The program has 33.4 MW of installed projects, including 14.2 MW completed in the first quarter of 2008.</i> <i>The active applications in the California Solar Initiative are worth an estimated \$649 million of solar incentive payments.</i> <i>In the first fifteen months, the program has received <u>over 10,000 applications</u> for solar incentives -- 9,817 (and 249.3 MW) of which are still active applications. There were over 2,200 applications in the first quarter of 2008.</i> <ul style="list-style-type: none"> <i>Residential applications (8,786 active applications) make up 89% of all applications received.</i> <i>However, the total capacity of non-residential applications (207.3 MW) makes up 83% of the capacity of the applicant pool.</i> 	<p><i>Comments on Motion due April 24.</i></p> <p><i>Issued April 14.</i></p>
<p><u>SGIP Semi-Annual Renewable Fuel Use Report 11</u></p>	<p>The 11th fuel use report for the period July 1, 2007 to December 31. The report shows two new renewable fuel use (RFUR) projects were completed during the six-month reporting period, both digester gas in IC engines. As a result of these two new projects, there were a total of 31 RFUR projects operational in the SGIP, representing nearly 11 MW of installed generating capacity.</p>	<p>Published March 2008.</p>

QF Issues		
<p>R.04-04-003/ R.04-04-025 Avoided Cost</p>	<p>The Commission approved new rules for short and long term utility contracts, and market pricing, for QFs selling power to the utility. Nearly every party representing the QF, utility and consumer side has submitted an Application for Rehearing of D.07-09-040, challenging one or more elements of the final decision.</p> <ul style="list-style-type: none"> • A number of petitions for modification filed by both the utilities and QF advocates remain unresolved. • <i>In light of the significant differences that continue to exist between the utilities and the QF parties on contract issues, the Energy Division (ED) is proposing a new process. Utilities will first meet among themselves with the goal of arriving at a single contract form, or be able to justify utility specific differences; A single standard offer contract due May 7. By Monday, May 12th, ED will notify the parties if it believes that negotiations are leading to a settlement of the issues. If so, parties will proceed with Phase II. By Monday, May 19th, Utilities will provide the CPUC with dates, times, agendas, and locations for meetings with the other parties as well as the CPUC progress report. Negotiations commence.</i> 	<p>D.07-09-040 approved in September 07.</p> <p><i>By Monday, June 2nd, parties will present a progress report to the CPUC. By Monday, June 23rd, utilities will each make a supplemental Advice Letter filing that includes the updated contracts.</i></p>

RPS Issues		
<p>R.06-02-012 2006 RPS Rulemaking</p>	<p><u>Tradable RECs</u> In a revised scoping memo, President Peevey has extended the schedule to complete remaining tasks in the design of the Renewable Portfolio Standard, including whether and how Renewable Energy Credits (RECs) can be used by utilities and ESPs for RPS compliance. A Proposed Decision on tradable RECs is due to be issued in the second quarter.</p>	<p>Issued February 25. Comments on MPR were due March 6.</p>
<p>R.06-05-027 Administration of RPS Program</p>	<p><u>Feed in Tariff</u> The Commission approved D.07-07-027, which requires utilities to purchase output from certain renewables facilities at a market price determined by the CPUC, implementing AB 1969 (Yee). The Commission rejected Applications for Rehearing filed by CEERT and SCE.</p> <p>In Resolution E-4137, the Energy Division approves the utilities tariffs to implement the decision, with modifications. Among the modifications ordered: SCE and SDG&E are required to revise their tariffs to limit the transfer of Green Attributes to only those Attributes associated with actual energy sales to the utility; all utilities were ordered to substitute the 2007 MPR table instead of 2006; the utilities are required to change the definition of eligible generation to match that included in Sec. 399.20; all tariffs will have an effective date of January 1, 2008. The Resolution calls</p>	<p>D.08-02-010 adopted at February 14 meeting.</p> <p>Unanimously approved at February 14 meeting.</p>

	<p>for a cap of 250 MW for water and wastewater facilities and 228.5 MW for other eligible energy facilities.</p> <ul style="list-style-type: none"> PG&E has submitted amendments to its tariff (Advice Letter 3100-E-B and AL - 3098-E-B) to revise the term "Eligibility" in the contract to conform to a recent CPUC decision on standard terms and conditions. SDG&E tariff changes are reflected in AL 1918-E-A. SCE submitted AL 2148-E-A revising its tariffs. <p><u>Market Price Referent</u></p> <p>State law requires that the Commission establish a methodology to determine the market price (MPR) of electricity for terms corresponding to the length of contracts with renewable generators, in consideration of the following:</p> <ol style="list-style-type: none"> The long-term market price of electricity for fixed price contracts, determined pursuant to the electrical corporation's general procurement activities as authorized by the commission. The long-term ownership, operating, and fixed-price fuel costs associated with fixed-price electricity from new generating facilities. The value of different products including baseload, peaking, and as-available output. <p>The MPR has been coming under fire for not fully reflecting input into the gas price, including volatility and for failing to update the GHG adder. Energy Division staff noticed a workshop to address these, and other MPR issues.</p>	<p>Revisions submitted March 24, retroactive to February 14.</p> <p>Submitted April 1.</p> <p>Workshop held on March 27.</p>
Departing Load Charges		
<p>R.06-02-013 LTPP Phase 3</p>	<p>In the third phase of LTPP the CPUC will consider whether any change in the manner that new generation stranded costs should be reflected in nonbypassable charges (NBCs) imposed on muni, DA or Customer Generation Departing Load customers.</p> <ul style="list-style-type: none"> Cogen/DG interests argue that Customer Generation Departing Load (CGDL) should be exempted from departing load charges for utility procurement. TURN and utilities respond that whether departing load should be categorically exempt from NBCs is not within the scope. TURN also believes that even accurate forecasting of departing load cannot avoid the occurrence of stranded costs at times when the market price is below the utility's average portfolio cost, and that therefore departing load should not be excused from paying NBCs. 	<p>Briefing has concluded; awaiting a Proposed Decision.</p>

Rate and Tariff Issues

<p><u>A.07-01-047</u> SDG&E General Rate Case - Revenue Allocation and Rate Design Phase</p>	<p>A final, all-party rate design settlement, including a default Critical Peak Pricing Tariff, was reached on October 18. The revised settlement also included a new tariff for renewable DG.</p> <p>A Proposed Decision approving the settlement was issued on January 29. A revised PD was issued February 27, moving the implementation date from April 1, specified in the settlement, to May 1, 2008 in order to reduce rate volatility.</p>	<p>D.08-02-034 was adopted on February 28.</p>
<p><u>A.08-03-002</u> Southern California Edison General Rate Case - Rate Phase</p>	<p>In the revenue requirement phase of its General Rate Case (SCE Application), SCE asks the Commission to authorize a \$726 million increase over currently authorized base revenues.</p> <p>SCE filed its marginal cost, revenue allocation and rate design (Phase2) application and testimony on March 4. Assuming the \$726 million increase proposed (which is not likely), the illustrative rates are as follows:</p>	<p>Rate design application was submitted March 4.</p>

**Proposed Bundled Service
 Illustrative Average Rates
 Without and With 3% Capping**

	Uncapped			Capped	
	Current Rate (c/kWh)	Proposed Rate (c/kWh)	Percent Change	Proposed Rate (c/kWh)	Percent Change
Total Domestic	14.9	17.5	17.5%	17.1	15.1%
GS-1	16.9	18.0	6.2%	18.4	8.9%
TC-1	15.0	20.5	36.4%	17.3	15.1%
GS-2	14.4	15.7	9.0%	16.1	12.0%
TOU-GS-3	13.2	13.7	4.1%	14.1	7.1%
Total LSMP	14.5	15.5	7.4%	16.0	10.3%
TOU-8-Sec	12.3	12.9	4.7%	13.3	8.0%
TOU-8-Pri	11.6	11.8	2.0%	12.2	5.3%
TOU-8-Sub	7.6	9.0	18.9%	8.7	15.1%
Total Large Power	10.7	11.4	6.9%	11.6	8.5%
PA-1	18.4	20.3	9.9%	20.7	12.3%
PA-2	12.9	14.7	13.4%	14.9	15.1%
AG-TOU	9.1	12.8	39.9%	10.5	15.1%
TOU-PA-5	9.4	12.7	34.1%	10.9	15.1%
Total Ag.&Pumping	10.9	13.9	27.9%	12.5	14.5%
Total Street Lighting	19.1	23.0	20.5%	22.0	15.1%
Total System	13.7	15.3	12.1%	15.3	12.1%

<p>A.08-02-001 SoCalGas and SDG&E BCAP www.socalgas.com/regulatory/cpuc.shtml.</p>	<p>In this combined application, the Sempra utilities propose a number of revenue allocation and rate design changes, proposing to return to embedded cost ratemaking and abandon the CPUC's longstanding policy to set rates based on marginal cost.</p> <p>Under its preferred approach, SoCalGas' proposed rates in this Application would result in total annual revenues that are about \$67 million, or 4 %, greater than revenues at present rates. Revenues from SoCalGas core customers will increase approximately \$66 million, a 4.7 % increase. Revenues from SoCalGas noncore customers will decrease approximately \$35 million annually, a 16% decrease from noncore revenues.</p> <p>SDG&E's proposed rates in this Application would result in total annual revenues that will decrease approximately \$11 million or 3.9%. Revenues from SDG&E core customers will decrease by approximately \$3 million, a 1.4 % decrease from core revenues at present rates. Revenues from noncore customers will decrease by approximately \$14 million annually, a 35 % decrease.</p>	<p>Prehearing conference set for April 3.</p>
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California Energy Commission www.energy.ca.gov		
Activity	Summary	Status
<p>2008 Integrated Energy Policy Report Docket No. 08-IEP-1</p>	<p><i>The IEPR Committee has scheduled a Scoping Meeting for the 2008 update and the 2009 IEPR.</i></p>	<p><i>10:30 a.m., April 28, 2008, CEC, Hearing Room A, Sacramento.</i></p>
<p>Load Management Standards</p>	<p><i>As a follow up to the scoping workshop held in March, the Efficiency Committee will conduct a second workshop on Smart Grid technology and policy issues.</i></p>	<p><i>10:00 a.m., Tuesday, April 29, 2008, CEC, Hearing Room A, Sacramento.</i></p>
<p>GHG Docket # 07-OIIP-1</p>	<p>The CEC has approved Interim Opinion on Greenhouse Strategies establishing a framework for the energy industry to reduce GHG emissions, as required by AB 32. The report recommends a combination of regulatory and market mechanisms. The report is now to be transmitted to the Air Resources Board, where it will be incorporated in the AB 32 Scoping Plan.</p>	<p>Approved March 12.</p>
<p>Public Interest Energy Research (PIER) 2007 Annual Report</p>	<p>The California Energy Commission administers a total of \$80.5 million PIER Program annually—62.5 million for electricity and \$18 million for natural gas research, development, and demonstration projects. An annual report is submitted to the Legislature containing the awards made; progress toward achieving research and development portfolio goals; the names of award recipients; the types and actual costs of programs or projects funded; an evaluation of the success of funded</p>	<p><i>Adopted on April 16.</i></p>

	<p>projects, costs and benefits; and recommendations for program improvements. For the final report, visit: www.energy.ca.gov/pier/documents/index.html</p>	
<p>Renewable Tracking System Operational Determination</p>	<p>Before authorization of tradable RECs, the CPUC and the Energy Commission must jointly conclude that the tracking system is operational, capable of independently verifying that all renewable energy used for RPS compliance is generated by an eligible facility and delivered to the retail seller, and can ensure that renewable energy credits shall not be double counted by any seller of electricity within the service territory of the Western Electricity Coordinating Council (WECC). The agencies' Draft Joint Agency Staff Report (Draft Report) proposes the criteria and the evaluation methods to be used to make a determination of whether the tracking system meets these requirements.</p> <p>www.energy.ca.gov/2008publications/CEC-300-2008-001/CEC-300-2008-001-SD.PDF.</p> <p>The transcript for the March 17 workshop is available at: www.energy.ca.gov/renewables/02-REN-1038/documents/index.html#031708</p>	<p>Workshop held March 17.</p>

<p>Western Renewable Energy Generation Information System (WREGIS) www.wregis.org</p>		
Activity	Summary	Status
<p>Terms of Use</p>	<p>WREGIS is proposing changes in its Terms of Use. A redlined version of the newly proposed TOU is posted at March 08 SAC Proposed TOU-redline.</p> <p><i>Final comments on the revised Terms of Use (TOU) Agreement have been posted to www.wregis.org/</i></p>	<p><i>Comments were due April 18.</i></p>

<p>Federal Energy Regulatory Commission www.ferc.gov</p>		
Activity	Summary	Status
<p>AD07-7 Wholesale Competition in Regions with Organized Electric Markets</p>	<p>FERC proposed new rules on February 21, 2008 designed to improve operations in organized electric markets, boost competition and bring additional benefits to consumers.</p> <p>Proposals cover four areas: Demand Response; Long term Power Contracting; Improved Market Monitoring; Responsiveness to Customers and Stakeholders.</p>	<p><i>Comments are due April 21; request by OPSI for a 30 day extension, to May 21.</i></p>

California Independent System Operator www.caiso.com		
Reference	Summary	Status
Interconnection Procedures	<p>The CAISO will hold a stakeholder meeting to discuss proposed CAISO Tariff revisions to implement the Generation Interconnection Process Reform.</p> <p>The CAISO will post the proposed draft GIPR tariff language revisions on April 29, 2008 to its website at www.caiso.com/1f42/1f42c00d28c30.html. Stakeholders can submit comments to isoqueue@caiso.com by close of business May 6, 2008.</p> <p>Meeting Details Date: Thursday, May 8, 2008 Time: 10:00 a.m. to 4:30 p.m. Pacific Time Location: CAISO Offices, 101 Blue Ravine Road, Folsom, California</p> <p>Teleconference Information Dial-In Number: 1-800-288-8960 Conference ID: Not Required</p> <p>Web Conference Information Web Address: www.webmeeting.att.com Meeting Number: 8662054243 Access Code: 3459258</p>	Next Stakeholder Meeting on May 8, 2008

Air Issues		
California Air Resources Board		
Activity	Summary	Status
DG Certification	The ARB issued Executive Orders (DG-021) for Distributed Generation Certification to Capstone Turbine Corporation for its 65 kW, C65 Landfill Gas Microturbine and its 65 kW, C65 Digester Gas Microturbine.	Expiration date January 18, 2013.
Local Districts		
SCAQMD www.aqmd.gov Rule 1110.2 IC Engines	<p>During the January 4 meeting, the Board considered the draft rule, but continued the hearing until the Stationary Source Committee can address concerns expressed by the Metropolitan Transportation Authority.</p> <p>Clean and underline/strikeout copies of the revised rules are available.</p>	Board approved on February 4.

<p>San Joaquin Valley APCD www.valleyair.gov</p> <p>Rule Change to BACT Threshold</p>	<p>Valley district considering raising thresholds on several BACT pollutants, including NOx. The Draft Policy and Staff Report are both available.</p> <p>The current NOx threshold is \$9,700 per ton of NOx removed. Under the revision it would be raised to \$24,500 a ton. But the proposal includes a second change that will make the determination based on the net difference between the district regulation and the technology capability rather than the gross difference between an uncontrolled source and the technology. This, in most cases, will substantially increase the calculated cost impact (in dollars per ton of NOx removed), exempting many projects from mandates to install the specific technology.</p>	<p>Board Authorized revision on Feb. 21.</p> <p>APCO notice expected by mid April.</p> <p>Applications deemed complete after notice will be subject to new thresholds.</p>
<p>BAAQMD Regulation 3 Fees</p>	<p>Staff proposes adding a fee on greenhouse gases produced by all 10,000 stationary sources permitted by the district. The new Schedule T would apply to facilities with emissions of one or more GHGs. The proposed fee would be \$0.042 per metric ton of CO2 equivalent (CDE) emissions per year. The draft rule is available at: www.baaqmd.gov/pln/ruledev/3/2008/0300_dr_013108.pdf.</p> <p>At its workshop on the new proposed Fee Schedule, concerns were raised about whether the program will be redundant or, worse yet, conflict with the state's AB 32 program. There was also concern about the distribution of fees.</p> <p>Representatives of the biofuel industry objected to inclusion of bio-fuel projects at all. They argued that biofuels do not release sequestered carbon but instead replace fossil-fueled equipment and therefore actually reduce GHG emissions. The project director indicated that the staff is giving consideration to this concern and will likely recommend exclusion of bio-fueled projects.</p>	<p>Workshop held February 25; written comments were due March 7.</p>

Acronyms

AL – Advice Letter, a regulatory process to change a provision of the utility tariff.
ALJ – Administrative Law Judge, assigned to a CPUC or FERC proceeding.
BACT – Best Available Control Technology
BARCT – Best Available Retrofit Control Technology
CAISO – California Independent System Operator
CACES – California Alliance for Creative Energy Solutions
CCGT – Combined Cycle Gas Turbines
CCSE – California Center for Sustainable Energy (Formerly San Diego Regional Energy Office)
CEC – California Energy Commission
CHP – Combined Heat & Power
COG – California Onsite Generation (this publication)
CPUC – California Public Utilities Commission
CRS – Customer Responsibility Surcharge (exit fee)
DER – Distributed Energy Resources
DG – Distributed Generation
DRA – Division of Ratepayer Advocates (formerly ORA), representing small consumers
ESP – Energy Service Provider
FERC – Federal Energy Regulatory Commission
GHG – Greenhouse Gases
IOU – Investor Owned Utility
LSE – Load Serving Entity, any entity that provides retail service.
MPR – Market Price Referent
NEM – Net Energy Metering
NOPR – Notice of Proposed Rulemaking issued by FERC
OIR – Order Instituting Rulemaking
PBI – Performance Based Incentive
PD – Proposed Decision
PGC – Public Goods Charge
PIER – Public Interest Energy Research program implemented by CEC
PPA – Power Purchase Agreement
PURPA – Public Utilities Regulatory Policy Act of 1978
QF – Qualifying Facility under the Public Utility Regulatory Policy Act of 1978 (PURPA)
REC – Renewable Energy Credit
RFO – Request for Offer
RPS – Renewable Portfolio Standard
SRAC – Payment by CA IOUs to QFs, based on short run avoided cost
SGIP – Self Generation Incentive Program
WREGIS – Western Region Energy Generation Information System

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