

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 1773 (Obernolte) – As Amended April 13, 2016

SUBJECT: Local government renewable energy self-generation program.

SUMMARY: Allows specified joint powers authorities to participate in the Renewable Energy Self-Generation Bill Credit Transfer program. Specifically, **this bill:**

- 1) Expands the definition of "local government" for purposes of the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program to include a joint powers authority (JPA) that has as members public agencies located within the same county and same electrical corporation service territory.
- 2) Excludes a JPA from participating in the RES-BCT program, if it has as members public agencies located in different counties or different electrical corporation service territories, or, if the JPA has as a member the federal government, any federal department or agency, this or another state, or any department or agency of this state or another state.
- 3) Expands the definition of "benefitting account" for purposes of the RES-BCT program to include an account or accounts that belong to members of a JPA and are located within the geographical boundaries of the group of public agencies that formed the JPA, if the eligible renewable generating facility and electricity account or accounts are wholly located within the confines of a single county within which the JPA is located and electric service is provided by a single electrical corporation, with the account or accounts being mutually agreed upon by the JPA and the electrical corporation.

EXISTING LAW:

- 1) Established the RES-BCT program, which allows a city, county, city and county, special district, school district, political subdivision, other local public agency, or an individual community college campus, individual California State University Campus, or individual University of California campus to designate another account or accounts controlled by the governmental entity to receive bill credits for electricity generated by a renewable generating facility located within the boundaries of the governmental entity.
- 2) Excludes JPAs from participating in the RES-BCT program.
- 3) Defines an eligible "benefitting account" under the RES-BCT program to mean an electricity account, or more than one account, 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.
- 4) Requires the three largest electrical corporations to offer contracts to local governments under the RES-BCT program until the combined statewide cumulative generating capacity of all eligible renewable facilities within their service territories reaches 250 megawatts (MW).

- 5) Requires the California Public Utilities Commission (CPUC) to ensure the transfer of a bill credit to a benefiting account does not result in a shifting of costs onto bundled service subscribers.
- 6) Allows, pursuant to the Joint Exercise of Powers Act, two or more public agencies by agreement to jointly exercise any power common to the contracting parties, as specified, if authorized by their legislative or other governing bodies.
- 7) Defines public agency for the purposes of JPAs to include the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any JPA formed, pursuant to the Joint Exercise of Powers Act, by any of these agencies.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Bill Summary.** This bill authorizes a very limited expansion of the RES-BCT program to allow specified JPAs to participate in the program. The JPA's members must be public agencies that are located within the same county and within same electrical corporation service territory. The JPA must not have any of the following as members:
 - a) Public agencies that are located in different counties;
 - b) Public agencies that are located in different electrical corporation service territories;
 - c) The federal government;
 - d) Any federal department or agency;
 - e) California or any other state; or,
 - f) Any department or agency of this state or another state.

The bill also specifies the following requirements:

- a) The benefitting account or accounts must belong to members of the JPA and be located within the geographical boundaries of the group of public agencies that formed the JPA;
- b) The eligible renewable generating facility and the electricity account or accounts must be wholly located within the confines of a single county within which the JPA is located;
- c) Electric service must be provided by a single electrical corporation; and,
- d) The account or accounts must be mutually agreed upon by the JPA and the electrical corporation.

This bill is sponsored by the Victor Valley Wastewater Reclamation Authority.

- 2) **Author's Statement.** According to the author, "In 2008, AB 2466 (Laird) established the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program to provide local governments with an avenue to maximize their utilization of self-generated renewable energy, which would be otherwise economically infeasible under previously existing programs. The RES-BCT program allows local government entities to credit energy generated from renewable sources against electricity used at more than just the facility where the renewable energy is generated.

"Joint powers authorities were explicitly prohibited from participating in the program, regardless of their geographic scope. Organizations like the Victor Valley Wastewater Reclamation Authority that may still operate within the bounds of a local government entity are prohibited from participating based on their status as a JPA. While participation in the program has grown, there is still a fair amount of room available under the cap of the program.

"AB 1773 would expand the program to allow certain JPAs to participate in the program. The bill would limit the JPAs that could participate to those that are operating within the geographic bounds of the local entities that created them. AB 1773 would promote the adoption of more renewable energy sources while still limiting the program to local entity participation."

- 3) **Background.** AB 2466 (Laird), Chapter 540, Statutes of 2008, allowed a local governmental entity to operate a small renewable electricity generating facility in one location and have the utility credit the output of that facility against electricity the local government consumes at another location. This program is now known as the RES-BCT program or the Laird program. The basic concept of the program was to allow governmental entities that had many different electricity meters (and thus many accounts with a utility) to produce renewable power at a location where they had very little demand and then use the electricity to benefit another building where demand is high but may not be a suitable location to build renewable generation. For example, a city could locate solar panels over the parking lot at a public park, but use the electricity to benefit city hall.

Under the RES-BCT program, local governments such as cities and counties, school districts, special districts, political subdivisions, and public agencies may participate, as well as individual college campuses. In addition, the program requires that the transfer of a bill credit to a benefiting account does not result in a shifting of costs to bundled service subscribers.

According to the CPUC, in 2011 no local governments were participating in the RES-BCT program in any of the three investor-owned utility (IOU) territories. To increase participation in the RES-BCT program, the Legislature passed AB 512 (Gordon), Chapter 478, Statutes of 2011, which increased the maximum size for renewable energy generating systems eligible for the program from 1 MW to 5 MW. In addition to supporting AB 512, the CPUC recommended that the program be expanded further so that all customers could be eligible to participate, not just local governments and college campuses. According to the

most recent available data, the statewide cumulative amount of energy generated within the RES-BCT program is now 50 MW, which leaves 200 MW available under the total statewide program capacity.

- 4) **RES-BCT Program and JPAs.** JPAs were explicitly excluded from the program when it was created. The territory of a JPA depends on its members. A JPA can include the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any JPA formed, pursuant to the Joint Exercise of Powers Act, by any of these agencies.

JPAs across the state are extremely diverse in their goals, size, members, and locations. Had JPAs been included in AB 2466, contracts between JPAs and IOUs could have included benefitting accounts and generation facilities spread out across large geographical areas, crossing county and even state lines and utility territories.

AB 1031 (Blumenfield), Chapter 380, Statutes of 2009, raised these concerns when it attempted to expand the RES-BCT program to allow the participation of public colleges and universities, which exist in large statewide systems similar to JPAs. To address this geographical concern, AB 1031 limited eligibility for the program to individual campuses.

This bill is similarly narrow as to geography, allowing participation only by JPAs whose members are in the same county and are served by the same electrical corporation, and whose benefitting accounts must belong to members of the JPA and be located within the geographical boundaries of the group of public agencies that formed the JPA. In addition, the eligible renewable generating facility and the electricity account or accounts must be wholly located within the confines of a single county within which the JPA is located, and the account or accounts must be mutually agreed upon by the JPA and the electrical corporation.

- 5) **Previous Legislation.** AB 512 (Gordon), Chapter 478, Statutes of 2011, increased the maximum size for renewable energy generating systems eligible under the RES-BCT program from 1 MW to 5 MW.

AB 2693 (Blumenfield) of 2010, would have expanded the RES-BCT program to allow participation by any JPAs, without the restrictions contained in this bill. AB 2693 was held in the Assembly Utilities and Commerce Committee.

AB 1031 (Blumenfield), Chapter 380, Statutes of 2009, expanded the RES-BCT program to allow individual public college and university campuses to participate.

AB 2466 (Laird), Chapter 540, Statutes of 2008, created the RES-BCT program, which allowed a local governmental entity to operate a small renewable electricity generating facility in one location and have the utility credit the output of that facility against electricity the local government consumes at another location.

- 6) **Arguments in Support.** The Victor Valley Wastewater Reclamation Authority, sponsor of this measure, writes, "Current law explicitly excludes joint powers authorities from eligibility to participate in the RES-BCT Program, even if they operate (within) the geographic bounds of a local government entity. The Victor Valley Wastewater Reclamation Authority resides in the geographic boundary of the city of Victorville. VVWRA's Waste to Energy program is a leader in the wastewater industry with the capability of producing enough green energy to power our entire plant with electricity left over. VVWRA is also in the position to expand the program and generate even more sustainable energy. But current law does not allow VVWRA, as a JPA, to export that power to the grid. AB 1773 would eliminate the barriers VVWRA is facing and allow a new green, environmentally friendly power source for our region."
- 7) **Arguments in Opposition.** None on file.
- 8) **Double-Referral.** This bill was heard by the Utilities and Commerce Committee on April 6, 2016, where it passed with a 15-0 vote.

REGISTERED SUPPORT / OPPOSITION:**Support**

Victor Valley Wastewater Reclamation Authority [SPONSOR]
Association of California Water Agencies

Opposition

None on file

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