



**TUESDAY, September 25, 2001**  
Beginning at 10:00 a.m.  
CALIFORNIA ENERGY COMMISSION  
Hearing Room A  
1516 Ninth Street  
Sacramento, California  
(Wheelchair Accessible)

Pursuant to the *Overall Guidelines for the Renewable Resource Trust Fund*, the Commission may make substantive changes to a *Guidebook* upon the recommendation of the Committee, and such changes shall take effect once adopted at a publicly noticed meeting.

The proposed changes to Volume 1, the *Guidebook* for the Existing Renewable Resources Account, are attached and are shown relative to the current guidelines (the Fourth Edition), dated October 2000, as modified by changes approved by the Commission in May 2001. New text is shown in underline and deleted text is shown in strikeout font. These changes are summarized as follows:

- Reallocating \$6.2 million of unused rollover funds from the Existing Renewable Resources Account to the Emerging Renewable Resources Account for the purpose of providing increased funding for the Emerging Renewable Buydown Program pursuant to the Commission's *Policy Report on AB 1890 Renewables Funding* and Public Utilities Code section 383.5, subdivision (g). These funds have become available in the Existing Account because at least \$6.2 million of the funds that were approved to be reallocated for awards pursuant to the Commission's November, 2000 New Renewable Resources Account auction will not be needed for that purpose.<sup>1</sup>

The proposed changes to Volume 3, the *Guidebook* for the Emerging Renewable Resources Account, are attached and are shown relative to the current guidelines, dated May 2001. These changes are summarized as follows:

- Increasing the total funding by \$16.2 million. Consistent with Public Utilities Code section 383.5, subdivision (d), this additional funding shall be allocated as follows: 60 percent for small systems 10 kilowatt (kw) or smaller; 15 percent for medium systems greater than 10 kw but less than 100 kw; 25 percent for large systems 100 kw or larger. In absolute dollar amounts, \$9.72 million will go to small systems, \$2.43 million to medium systems, and \$4.05 million to large systems.
- Specifying that for the funding allocated to medium-sized systems, 75 percent will be allocated for systems that are greater than 10kw but less than 30 kw in size.

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<sup>1</sup> The Commission has previously approved reallocations of as much as \$80 million to support awards for New Renewable Resources Account auctions held in November 2000 and June 2001, but stated that the actual amounts to be reallocated would be determined by the amount of funding required in those auctions. Of the maximum \$40 million that was available in the November 2000 auction, at least \$6.2 million will not be needed due to award winners in that auction not achieving on-line dates that would qualify for bonuses and avoid award penalties.

- Adding language to ensure that those who apply for funding from either the Emerging Renewables Buydown Program and/or to the California Public Utilities Commission's self generation program do not receive more than the lesser of \$4.50 per watt or 50 percent of total investment costs.

The proposed changes to Volume 4, the *Guidebook* for the Customer Credit Subaccount, are attached and are shown relative to the current guidelines, dated December 2000 (the Fifth Edition). These changes are summarized as follows:

- Reallocating \$10 million of unused rollover funds from the Customer Credit Subaccount to the Emerging Renewable Resources Account for purpose of providing increased funding for the Emerging Renewable Buydown Program pursuant to the Commission's *Policy Report on AB 1890 Renewables Funding* and Public Utilities Code section 383.5, subdivision (g).
- Extending, through the remainder of year 2001, the credit level that is currently set at 1.0 cent per kilowatt-hour. The credit level has been set at this level from July 2000 through June 2001, and the changes would continue this credit level for the period from July 2001 through December 2001.
- Making conforming changes regarding the process for distributing funds from the Customer Credit Subaccount in the event that funding is exhausted.

### **Written Comments**

The Committee encourages interested members of the public to review and comment on the proposed changes. Members of the public may submit written or oral comments at the Business Meeting on September 25, 2001, but they are strongly **encouraged to submit written comments by September 24, 2001.**

Those submitting written comments should provide 12 copies to the Commission's Docket Unit. Those interested in filing comments by e-mail may send them to [docket@energy.state.ca.us] and need only submit one hard copy to the Docket Unit. If you are providing written comments at the Business Meeting, please make an additional 30 copies available at the beginning of the Business Meeting. Written materials filed with the Docket Unit or provided at the Business Meeting become part of the public record. Please send or deliver written materials to:

California Energy Commission  
**Regarding Docket Numbers:**  
**98-REN-EXI,**  
**98-REN-EME,**  
**98-REN-CCS**  
Docket Unit, MS-4  
1516 Ninth Street  
Sacramento, CA 95814-5504

**Assistance**

The Commission's Public Adviser provides assistance regarding participation in Commission activities. Members of the public who would like information on how to participate in this proceeding may contact the Public Adviser's Office by phone at (916) 654-4489 or toll free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at [pao@energy.state.ca.us].

If you have a disability and need assistance to participate at the Business Meeting, please contact Priscilla Ross of the Public Adviser's Office at (916) 653-6631 at least five days before the meeting.

Members of the public who have technical questions regarding the subject matter of this notice may contact Marwan Masri, manager of the Renewable Energy Program, by phone at (916) 654-4531 or by e-mail at [mmasri@energy.state.ca.us]. News media should direct inquiries to Claudia Chandler, Assistant Director, at (916) 654-4989.

Dated: September 14, 2001

**STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION**

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**MICHAL C. MOORE**  
Commissioner and Presiding Member  
Electricity and Natural Gas Committee

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**ARTHUR H. ROSENFELD**  
Commissioner and Associate Member  
Electricity and Natural Gas Committee

Mass Mail Lists: Master63  
Attachment

**ATTACHMENT TO:  
NOTICE OF PROPOSED CHANGES TO THE GUIDELINES FOR  
THE EXISTING ACCOUNT, EMERGING ACCOUNT AND THE  
CUSTOMER CREDIT SUBACCOUNT TO THE RENEWABLE  
RESOURCE TRUST FUND**

**PROPOSED CHANGES TO VOLUME 1 OF THE *GUIDEBOOK***

**for the Existing Account**

**- Revised page 1 -**

# Introduction

Assembly Bill 1890 (AB 1890)<sup>1</sup>, enacted on September 23, 1996, provides \$540 million for the support of renewable electricity generation technologies. These funds will be collected from the ratepayers of the three largest investor-owned utilities in California from 1998 through March 31, 2002, to support existing, new, and emerging renewable electricity generation technologies. As part of the requirements of AB 1890, the California Energy Commission (Energy Commission) submitted a Policy Report<sup>2</sup> to the Legislature with recommendations for allocating the \$540 million.

Senate Bill 90 (SB 90)<sup>3</sup>, enacted on October 12, 1997, places the \$540 million into the **Renewable Resource Trust Fund**, and contains explicit directions for distributing this fund through four distinct accounts: the Existing Renewable Resources Account, the New Renewable Resources Account, the Emerging Renewable Resources Account, and the Customer-Side Renewable Resource Purchases Account. Table 1 shows the percentage funding allocations by year.

**Table 1**  
**Yearly Allocations to Renewable Technologies<sup>4</sup>**

Account	1998	1999	2000	2001	Overall	(in millions)
Existing Technologies	57%	49%	41%	33%	45%	\$243 <sup>5</sup>
New Technologies	24%	28%	32%	36%	30%	\$162
Emerging Technologies	10%	10%	10%	10%	10%	\$54
Customer-Side	9%	13%	17%	21%	15%	\$81

To assist potential program participants of the Renewable Energy Program in applying for funding from the various accounts within the Program, the Commission developed account-specific *Guidebooks*. These Guidebooks are identified as Volumes 1 through 5, with each volume corresponding to an account in the **Renewable Resource Trust Fund**

<sup>1</sup> Chapter 854, Statutes of 1996

<sup>2</sup> **Policy Report on AB 1890 Renewables Funding**, published March 1997, publication number 500-97-002.

<sup>3</sup> Chapter 905, Statutes of 1997

<sup>4</sup> These percentages apply to \$135 million dollars annually for four years as assumed in the **Policy Report on AB 1890 Renewables Funding**. Due to the fact that \$135 million will not be collected in the early years, it may be necessary to borrow funds from one account to make payments in another account equal to the absolute amounts expected annually. This will be done only if the account from which money is borrowed is not adversely affected. All funds borrowed will be returned to the appropriate account.

<sup>5</sup> Pursuant to Public Utilities Code section 383.5 the Commission will reallocate as much as \$80 million dollars of unused roll over funds in the Existing Renewable Resources Account to the New Renewable Resources Account for purposes of funding additional New Renewable Resources Account auctions. The actual reallocation of funds will take place, if at all, within six to ten months of conducting each additional auction. The amount of funds to be reallocated will depend upon the results of the additional auctions and the availability of funds that may revert back to the New Renewable Resources Account because of canceled or reduced funding awards under previous New Renewable Resource Account auctions. Based on the results of the additional auctions as of September 14, 2001, at least \$6.2 million of the \$80 million approved for reallocation to the New Renewable Resources Account will not be needed. The Commission will reallocate these \$6.2 million from the Existing Renewable Resources Account to the Emerging Renewable Resources Account pursuant to Public Utilities Code section 383.5 and the Commission's *Policy Report on AB 1890 Renewables Funding*. (Publication Number P500-97-002). An additional \$15 million in unused roll over funds in the Existing Renewable Resources Account will be transferred to the Emerging Renewable Resources Account for purposes of increasing rebate levels pursuant to Assembly Bill 29x (Chapter 8, Statutes 2001-02, 1<sup>st</sup> Extraordinary Session).

These guidelines were formally adopted by the California Energy Commission on January 21, 1998, pursuant to Senate Bill 90 (Chp. 905, Stats. 97) and subsequently revised pursuant to this authority on the following dates:

February 18, 1998

January 22, 1999

September 8, 1999

October 6, 1999

March 7, 2001

May 16, 2001

September 25, 2001

This guidebook contains general instructions for purchasers, lessees, lessors, or sellers of emerging renewable technologies in distributed generation applications on how to qualify and receive funding from the Emerging Renewable Resources Account of the Renewable Resource Trust Fund.

**PROPOSED CHANGES TO VOLUME 3 OF THE *GUIDEBOOK***

**for the Emerging Account**

**- Revised page 2, 3, 6, 7, 15, 21 -**

## Introduction

Assembly Bill 1890 (AB1890)<sup>1</sup>, enacted on September 23, 1996, provides \$540 million for the support of renewable electricity generation technologies. These funds will be collected from the ratepayers of the three largest investor-owned utilities in California from 1998 through March 31, 2001, to support existing, new, and emerging renewable electricity generation technologies. As part of the requirements of AB 1890, the California Energy Commission submitted a Policy Report<sup>2</sup> to the Legislature with recommendations for allocating the \$540 million.

Senate Bill 90 (SB 90)<sup>3</sup>, enacted on October 12, 1997, places the \$540 million into the **Renewable Resources Trust Fund**, and contains explicit directions for distributing this fund through four distinct accounts: the Existing Renewable Resources Account, the New Renewable Resources Account, the Emerging Renewable Resources Account, and the Customer-Side Renewable Resource Purchases Account. Table 1 shows the percentage funding allocations by year.

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**Yearly Allocations to Renewable Technologies<sup>4</sup>**

<b>Account</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Overall</b>	<b>(in millions)</b>
Existing Technologies	57%	49%	41%	33%	45%	\$243
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To assist participants in the Renewable Energy Program in applying for funding from the various accounts within the program, the Energy Commission developed account-specific guidebooks. These guidebooks are divided into five volumes, each corresponding to an account in the **Renewable Resources Trust Fund**:

- Volume 1 - Existing Renewable Resources Account
- Volume 2 - New Renewable Resources Account
- Volume 3 - Emerging Renewable Resources Account

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<sup>1</sup> Chapter 854, Statutes of 1996.

<sup>2</sup> **Policy Report on AB 1890 Renewables Funding**, published March 1997, publication number 500-97-002.

<sup>3</sup> Chapter 905, Statutes of 1997.

<sup>4</sup> These percentages apply to annual amounts of \$135 million dollars for four years as assumed in the **Policy Report on AB 1890 Renewables Funding**. Due to the fact that \$135 million will not be collected in the early years, it may be necessary to borrow some funds from one account in order to make payments in another account equal to the absolute amounts expected annually in the Report. This will only be done if the account from which money is being borrowed is not adversely affected. All funds borrowed will be returned to their appropriate account.

<sup>5</sup> This initial allocation was augmented on May 16, 2001 with an additional \$22 million pursuant to Assembly Bill 29x (Chp.8, stats.2001-02, 1<sup>st</sup> Extraordinary Session) and augmented on September 25, 2001 with an additional \$16.2 million pursuant to Public Utilities Code section 383.5 and the Commission's Policy Report on AB 1890 Renewables Funding.

- Volume 4 - Customer Credit Subaccount of the Customer-Side Renewable Resource Purchases Account
- Volume 5 – Consumer Education Subaccount of the Customer-Side Renewable Resource Purchases Account

In addition, the Energy Commission developed Overall Guidelines, which set forth the administrative and legal requirements necessary to receive or appeal funding awards from the Existing, New and Emerging Account and the Customer Credit and Consumer Education Subaccounts of the Customer-Side Resource Purchases Account.

This Guidebook, identified as Volume 3 - ***Guidebook for the Renewable Energy Program***, Emerging Renewable Resources Account addresses the eligibility, application and funding process for the Emerging Renewable Resources Account of the Renewable Resource Trust Fund. SB 90 directs that ten percent of the renewables funds provided under AB 1890 be used for the support of emerging technologies. This \$54 million is to be used to fund a multi-year, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications.<sup>6</sup>

SB 90 provides a number of specific requirements for an emerging technology program, including the following:

- 1) Funding for emerging technologies shall be provided through a competitive, market-based process that shall be in place for a period of not less than four years.
- 2) The program shall provide monetary rebates, buydowns, or equivalent incentives, to purchasers, lessees, lessors, or sellers of eligible electricity generating systems.
- 3) Incentives shall be issued on the basis of the rated electrical capacity of the system measured in watts.
- 4) The amount of the incentive shall decline over the term of the program.
- 5) There shall be a limit to the maximum percentage of an eligible system's cost that can be provided by the incentive.
- 6) Specified proportions of the incentive funds shall be available to smaller systems of specified sizes.

SB 90 determines that the emerging renewable technologies eligible to participate in this program are photovoltaic, solar thermal electric, fuel cell technologies that utilize renewable fuels, and wind turbines of not more than ten kilowatts (kW) rated electrical capacity per customer site. The legislation further states that these four technologies are only eligible to participate in the program if they meet the emerging technology eligibility criteria contained in the Commission's March 1997 ***Policy Report on AB 1890 Renewables Funding***.

Based on Energy Commission staff research (e.g., Energy Technology Status Report, Targeted RD&D studies), docketed information, and testimonials by various interested parties and stakeholders at public workshops and hearings held during the AB 1890/SB 90 process, the Commission finds that photovoltaic, small wind systems (not more

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<sup>6</sup> The addition of \$16.2 million in rollover funds from other accounts within the Renewable Resource Trust Fund, plus the addition of \$22 million for small systems from Assembly Bill 29x brings the total funding for the Buydown Program to \$92.2 million.

greater in aggregate capacity, will receive an 18 month reservation period and may request an extended reservation period, which may be granted at the Commission's discretion.

When the system is installed and in service, the Reservation Confirmation and Claim Form (CEC-1890C-2) should be submitted with documentation of a safe installation (a copy of the building permit), an electricity bill (if applicable), warranty documentation, and any other required information. If the Claim Form and required information is complete, the Energy Commission will then issue a check for the buydown, typically within 30 days of receiving the CEC-1890C-2.

**Table 2  
Buydown Program Parameters**

BUYDOWN PROGRAM FUNDS	Rebate
All systems	The lesser of \$4.50 /watt or 50% of total installed costs

To be eligible for this increased rebate level, the funding must be reserved and the system must be installed on or after February 8, 2001.<sup>7</sup> In this context, "reserved" means the date the Commission's Accounting Office receives an application for funding for a proposed system.

The Buydown Program is open to generating systems of all sizes, subject to certain conditions and restrictions. The program, however, is intended to favor small generating systems, such as those typically used by residential or small commercial and agricultural customers. Pursuant to SB 90, at least 60 percent of the total \$54 million in program funds monies must be awarded to systems of 10 kW or smaller in rated output, and an additional 15 percent of the program funds must be awarded for systems rated at 100 kW or less. The Commission applied this awarding requirement to the initial \$54 million allocated to the program and will apply it to the \$16.2 million in rollover funds reallocated to this program from other accounts within the Renewable Resource Trust Fund. In addition, the Commission is creating two subcategories of medium systems: those systems larger than 10kW but smaller than 30 kW, and those systems that are 30 kW or larger, up to 100 kW. The rollover funds reallocated to this program for medium systems will be distributed 75 percent to the 10 to 30 kW subcategory and 25 percent to the 30 to 100 kW subcategory.<sup>8</sup> These subcategories and allocations are intended to ensure that systems in the 10 to 30 kW subcategory have sufficient funds available for the remainder of 2001. These systems do not have the option of applying for funding under the CPUC-approved Self-Generation program, which is limited to systems 30 kW and larger in size.

<sup>7</sup> Systems not meeting the date criteria but otherwise meeting all other eligibility criteria contained in this Guidebook would be eligible to receive 1) the lesser of \$3/watt or 50% of total costs for 10kw or less systems or 2) the lesser of \$2.50/watt or 40% of total costs for systems larger than 10kw.

<sup>8</sup> Of the \$2.43 million in rollover funds reallocated to the program for medium systems (\$16.2 million x 15 percent), \$1.82 million will be distributed for systems in the 10 to 30 kW subcategory and the \$0.61 million will be distributed for systems in the 30 to 100 kW subcategory.

Pursuant to Assembly Bill 29x, an additional \$22 million in program funds was allocated to systems 10 kW or smaller in size.<sup>9</sup> These funds may not be distributed to medium or large systems.

For otherwise eligible generating systems placed in service (i.e., installed and generating) after September 1, 1998, there is a maximum payment amount of \$2,500,000 overall for any single project as defined herein. Also, for all systems placed in service after September 1, 1998, any incentive received through grants, rebates, buydowns, cost-sharing, or in any similar forms from any source other than this program must be deducted from the eligible system costs before the buydown payment is determined. Systems that receive incentives under the CPUC-approved Self Generation Program may not receive incentives from that program and the Buydown Program totaling more than \$4.50 per watt or 50 percent of the system costs, whichever is less.

The Energy Commission will conduct random audits of systems which have received buydown payments to ensure that the systems were properly installed, are properly functioning and are in accordance with the information provided in the reservation request and buydown claim forms. The Energy Commission will also periodically review the results of the Buydown Program to determine if modifications or changes to the level of buydown or other program terms and conditions are necessary to achieve the overall program goals.

### **What Types of Financial Assistance Will the Program Provide?**

The Buydown Program will make direct payments to the purchaser, seller, lessee or lessor of an eligible electricity generating system upon satisfactory evidence that the system meets the requirements of this program.

### **Who Can Receive the Buydown Payment?**

The payment can be reserved by and paid to the purchaser, retailer, lessee or lessor of an eligible generating system, as long as the owner of the system is not an electrical corporation or local publicly owned electric utility, and the purchaser or lessee receives electrical distribution from a utility which is contributing to the renewables fund. Such utilities are at present limited to Pacific Gas and Electric, Southern California Edison, San Diego Gas and Electric and Bear Valley Electric. It will most likely be the retailer, or seller, of the system that will request a reservation and receive payment of the buydown. State law, however, requires that regardless of who receives the payment, the amount of the payment shall "directly and exclusively reduc(e) the cost of the eligible system, or the cost of electricity produced by the eligible system". (Public Utilities Code Section 383.5(d)(2)(B)). For purposes of this guidebook and the accompanying forms, any reference to "purchaser" or "customer" shall apply equally to the lessee of an otherwise eligible generating system, and any reference to "retailer" or "seller" shall apply equally to the lessor of an otherwise eligible system.

### **What Generating Systems are Eligible for Buydowns?**

Eligible generating systems must meet all of the following requirements:

1. They must use one of the designated emerging renewable technologies to produce electricity.

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<sup>9</sup> Assembly Bill 29x also provided \$8 million to fund eligible small systems located in the service territories of local publicly-owned electric utilities. The Commission is developing a separate program element to fund these systems.

2. For certain technologies, specified components of the systems, or the entire systems, must meet national standards. The Energy Commission will maintain a list of components and systems that meet the required standards of the program. This

before the buydown the system will receive under this program is determined. In other words, when you are calculating the total eligible system costs to request a buydown reservation or to claim a buydown payment, the total eligible system costs should be net of any incentives from any other source. (See "How Do I Reserve a Buydown?") . Systems that receive incentives under the CPUC-approved Self Generation Program may not receive incentives from that program and the Buydown Program totaling more than \$4.50 per watt or 50 percent of system costs, whichever is less.

## **What is the Maximum Buydown Amount Any Single Project Can Receive?**

For all eligible generating systems placed in service on or after September 1, 1998, no single project can receive more than \$2,500,000 in total buydown payments. A "project" is defined to be "all otherwise eligible generating systems installed during the term of this program at one physical site and serving the electrical needs of all real and personal property located at that site, where a site is a single parcel of real property plus any improvements."

## **How Long Does My Reservation Last?**

The Reservation Confirmation and Claim Form will give the dollar amount of buydown reserved for the specified system size and proposed installation site. The Reservation will expire nine months after the date of issuance of the Confirmation and Claim Form for small systems (10 kW of rated output or smaller) and after eighteen months for all other system sizes (larger than 10 kW). A group of reservations in one location, such as for multiple homes in a new residential development, or for one customer at several locations, such as for multiple retail stores in a retail chain or for multiple schools in a single school district, which total 50 kW or greater in aggregate will receive an 18 month reservation period. Extensions to these time periods may be granted at the

Commission's discretion, as noted in the following section. Systems not installed by the expiration date of the reservation may reapply for a buydown. Such reapplications will receive the level of buydown payment available at the time of reapplication, which may be a lower rate of payment than the originally reserved buydown.

## **Can My Installed System Be Different Than My Reservation?**

The Commission expects a system to be installed as described in the Reservation Confirmation, but recognizes that minor changes may result during installation and that substantive changes may be necessary in extraordinary circumstances. Minor changes, such as increases and decreases in the size of the system or changes in certified components of the system, do not require prior approval, but must be documented on



from any source other than this program, and which reduce or offset any of the costs of these systems, **must be deducted from the Cost of System or otherwise incorporated in determining the Total Eligible System Costs that are charged to the purchaser of the system and the number entered for Total Eligible System Costs.** Systems that receive incentives under the CPUC-approved Self Generation Program may not receive incentives from that program and the Buydown Program totaling more than \$4.50 per watt or 50 percent of system costs, whichever is less. Enter the amount of any other incentives and their source.

Subtract any amount entered on “Less Other Incentives” from the Cost of System to determine the Total Eligible System Costs. If the amount entered as Total Eligible System Costs differs from the purchaser's price of the system as shown on the accompanying copy of the purchase order or letter of intent, a written explanation of the difference must accompany the submission of this form.

Buydown Requested: The Energy Commission will determine the amount of the buydown your system is eligible to receive and that will be reserved for you based on the data indicated on this form and the supporting documentation submitted with the form. This amount will be reserved for you and identified in the Reservation Confirmation and Claim Form that will be returned to you to confirm your reservation of a buydown payment. You may, however, wish to enter (in the box labeled "Buydown Requested") the amount of buydown you are anticipating based on the available buydown level, caps on buydown amounts and the costs and output of your system. To estimate the amount of this buydown before receipt of the confirmation, applicants can call 1-800-900-3594 to receive information on the currently available buydown amounts per watt of System Rated Output and the maximum percentage of Total Eligible System Costs for small, medium and large systems. The applicant can use this information to calculate two numbers: first, the buydown amount per watt multiplied by their System Rated Output and second, the maximum percentage times the Total Eligible System Costs. (See “How Much Is the Buydown?”) The smaller of these two calculations should be your reserved buydown amount.

Both the retailer and the purchaser should read the Declaration section and both must sign and date this section. In particular, the section of this guidebook titled "How Big Can My System Be?" should be consulted to ensure that the expected electrical generation of the system is appropriately matched to the customer's electrical needs. If the purchaser is requesting the reservation directly, only the purchaser portion needs to be filled out.

### ***Instructions for Completing STD-204, Vendor Data Record***

***Note: The vendor Data record needs to be filled out by the party that will be receiving the rebate payment. If the retailer is to receive the rebate payment, this form should contain the information pertaining to the retailer. If the purchaser is to receive the rebate payment, this form should contain the information pertaining to the purchaser.***

**PROPOSED CHANGES TO VOLUME 4 OF THE *GUIDEBOOK***

**for the Customer Credit Subaccount**

**- Revised pages 1, 2, 12, 32, 33 -**

# Introduction

Assembly Bill 1890 (AB 1890)<sup>1</sup>, enacted on September 23, 1996, provides \$540 million for the support of renewable electricity generation technologies. These funds will be collected from the ratepayers of the three largest investor owned utilities in California from 1998 through March 31, 2002, to support existing, new, and emerging renewable electricity generation technologies. As part of the requirements of AB 1890, the California Energy Commission (Energy Commission) submitted a Policy Report<sup>2</sup> report to the Legislature with recommendations for allocating the \$540 million.

Senate Bill 90 (SB 90)<sup>3</sup>, enacted on October 12, 1997, places the \$540 million into the **Renewable Resource Trust Fund**, and directs the distribution of funds through four accounts: Existing Renewable Resources Account, New Renewable Resources Account, Emerging Renewable Resources Account, and Customer-Side Renewable Resource Purchases Account (which is divided into the Customer Credit Subaccount and Consumer Education). Table 1 shows funding allocations by year.

**Table 1**  
**Yearly Allocations to Renewable Technologies<sup>4</sup>**

<b>Account</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Overall</b>	<b>(in millions)</b>
Existing Technologies	57%	49%	41%	33%	45%	\$243
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Emerging Technologies	10%	10%	10%	10%	10%	\$54
Customer -Side	9%	13%	17%	21%	15%	\$81 <sup>5</sup>

To assist those interested in participating in the Renewables Program, the Energy Commission developed account-specific guidebooks for the Renewable Energy Program. These initial guidebooks are identified as volumes 1 through 5, with each volume corresponding to an account in the **Renewables Resource Trust Fund**:

- Volume 1 - Existing Renewable Resources Account
- Volume 2 - New Renewable Resources Account
- Volume 3 - Emerging Renewable Resources Account
- Volume 4 - Customer Credit Subaccount of the Customer-Side Renewable Resource Purchases Account
- Volume 5 – Consumer Education Subaccount of the Customer-Side Renewable Resource Purchases Account

<sup>1</sup> Chapter 854, Statutes of 1996

<sup>2</sup> Policy Report on AB 1890 Renewables Funding, published March 1997, publication number 500-97-002.

<sup>3</sup> <sup>2</sup>Chapter 905, Statutes of 1997

<sup>4</sup> <sup>3</sup>These percentages apply to \$135 million dollars annually for four years as assumed in the **Policy Report on AB 1890 Renewables Funding**. Due to the fact that \$135 million will not be collected in the early years, it may be necessary to borrow funds from one account to make payments in another account equal to the absolute amounts expected annually. This will be done only if the account from which money is borrowed is not adversely affected. All funds borrowed will be returned to the appropriate account.

<sup>5</sup> Pursuant to Public Utilities Code section 383.5, the Commission will reallocate \$10 million of unused rollover funds from the Customer Credit Subaccount to from the Emerging Renewable Resources Account for the purposes of providing increased funding for that account.

In addition, the Energy Commission developed the Overall Guidelines which set forth the administrative and legal requirements necessary to receive or appeal funding awards from the Existing, New and Emerging Accounts, and the Customer Credit Subaccount. This guidebook, identified as Volume 4, addresses the application and funding process for the Customer Credit Subaccount of the **Renewable Resource Trust Fund**.

## Overview of Customer Credit

The Customer Credit Subaccount is designed to allow end-use customers to receive a rebate from the **Renewable Resource Trust Fund** (14 percent of the overall funds are allocated to this Subaccount, for a total of \$75.6 million). The funds will be paid to registered renewable providers that deliver power purchased through bilateral contracts or contracts for differences from registered, in-state renewable suppliers or wholesalers<sup>5</sup> and sold through direct-access contracts to eligible customers (see "Definitions"). The providers will in turn pass the rebate along to customers, who will see it on their electricity bill. Renewable wholesalers may also participate in the program, but will not receive funds since wholesalers do not sell directly to end-users.

Funds will be distributed through a cents-per-kilowatt-hour (kWh) credit. Providers will be reimbursed for credit they pass onto consumers based on the cent-per-kWh credit level for eligible renewable power. For the first six months of this program, the credit level was set at 1.5 cents-per-kWh (the maximum allowable) in order to provide a stable market signal. Since funds were under-subscribed during the opening of the program, the credit level was set at 1.5 cents-per-kWh for the second six months of the program, ending on March 31, 1999. The credit level was held constant at 1.5 cents per kWh after the second six-month block through November 1999. Effective December 1, 1999 (load served in the December 1999 performance period), the credit level was lowered to 1.25 cents per kWh through June 2000.

From July 1, 2000 through December 31, 2000 (load served in the July 2000 – December 2000 performance periods) the credit level ~~is~~ was set at 1.0 cent per kWh. ~~The Electricity and Natural Gas Committee of the Energy Commission (Committee) re-evaluated the credit level and decided to maintain the credit level at 1.0 cent per kWh from January 1, 2001 through June 30, 2001 (load served in the January 2001 – June 2001 performance periods). The Electricity and Natural Gas Committee will re-evaluate the credit level near the end of this six month period or sooner to establish the credit level for the following six months and again for the six month period from July 1, 2001 through December 30, 2001.~~

There is a cap of \$1,000 that any one non-residential or non-small commercial customer may receive in one year. Further, the combined non-residential and non-small commercial class may not receive more than \$15 million from the Customer Credit Subaccount. This \$15 million cap was reached in April 2001, so funding is no longer available for non-residential or non-small commercial customers.

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<sup>5</sup> A wholesaler is an entity which buys and sells electricity to providers, or one who acts as a broker in negotiating sales of power to providers.

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The credit level, the rebate per kWh, was held constant over two six-month periods for the first year of the program. For the first six months of the program, the credit level was set at 1.5 cents-per-kWh. The ~~Renewables Committee~~ Energy Commission reset the credit level at 1.5 cents-per-kWh for the next six months, ending March 31, 1999. The credit level remained at 1.5 cents-per-kWh through November 1999.

Effective December 1, 1999 (the load served in December 1999 for the December 1999 performance period) through June 2000, the credit level was set at 1.25 cents per kWh. From July 1, 2000 (the load served in July for the July performance period) through December 31, 2000 (the load served in December for the December 2000 performance period), the credit level ~~has been~~ was set at 1.0 cent per kWh. From January 1, 2001 through June 30, 2001 (the load served in the January 2001 through the June 2001 performance period), the credit level ~~will~~ remained at 1.0 cent per kWh. The ~~Energy Commission will re-evaluate~~ the credit level will remain constant at 1.0 cent per kWh for the remainder of in year 2001 ~~and reset it, if necessary, for the July 2001 through December 2001 performance periods.~~ At no time will the credit level exceed 1.5 cents-per-kWh.

Providers are not required to conduct business with registered wholesalers to participate in the distribution of funds from the Customer Credit Subaccount. On their monthly performance reports, providers may show that they obtained eligible energy from either: 1) registered, in-state renewable suppliers that satisfy the funding criteria described on pages 3-5 and 24, or 2) registered wholesalers. Thus, providers who conduct business with wholesalers that do not register with the Energy Commission shall state on their monthly performance reports (in Box 9) that the energy is generated by registered, in-state renewable suppliers that satisfy the funding criteria.

Providers may receive a payment as reimbursement for the credit they have passed on to eligible, end-use customers for qualified renewable generation sold. The Energy Commission intends to ensure that payments from the Customer Credit Subaccount are only made after both of the following criteria are met: eligible renewables have been purchased by providers AND credits have been passed on to consumers. To allow providers flexibility in billing without being penalized for monthly variations in their annual products, the Energy Commission will keep track of, or "bank," two values: 1) the number of kWh of any eligible generation that a provider has purchased above that reflected in credit on customer bills, i.e. the "excess generation," and 2) the number of kWh of load served that corresponds to any credit amounts reflected on customer bills prior to purchasing eligible generation, i.e. the "excess Customer Credits."

Effective the December 1999 performance period, the credits banking system will keep track of kWh rather than dollars. Previously, the banking system tracked dollars, but tracking by kWh will be effective at the same time as the change in the credit level. If the credit banked is excess generation, then the kWh that are banked will be multiplied by the credit level in place at the time the matching load is reported. For example, if a provider banks excess generation in November, 1999, and then reports matching load in December 1999, the excess generation would be valued at 1.25 cents per kWh instead of the previous credit level of 1.5 cents per kWh.

5d. **kWh Purchased** – Enter the number of kWh that was purchased or brokered from the facility referred to in 5a.

1. **Declaration** – The declaration must be completed by an officer of the company, such as the Chief Executive Officer, Chief Financial Officer, or similar officer with authority to bind the company.

## ***CEC-1890D-6, Monthly Performance Report Amendment for Renewable Wholesalers***

This is a form to amend a Monthly Performance Report for Wholesalers that contains incorrect data. Only sections where data have changed need to be completed, and the data indicated on the form should show the amount of the change (not the new value). Whether a change is positive or negative should be indicated in each appropriate box, with a positive value indicating an increase in claims. For instructions on what data are needed for Boxes 1-6 see the instructions above for Form CEC-1890D-5.

## **Implementing the \$15 Million and \$75.6 Million Caps<sup>11</sup>**

SB 90 specifies that non-residential and non-small commercial customers collectively and cumulatively may receive not more than \$15 million in customer credits, and that all customers may receive no more than \$75.6 million. The Energy Commission must ensure that disbursements do not exceed the statutory limits, even if claims by providers exceed that amount.

The Energy Commission will post information about cumulative disbursements to non-residential and non-small commercial customers on the Energy Commission's Web Site at <www.energy.ca.gov>. The Commission will also post information about aggregate payments from the account. Providers can monitor the Energy Commission's distribution of funds to track how close the disbursements are to approaching the \$15 million and \$75.6 million ceilings. It is the responsibility of each registered renewable provider to inform their customers about the limits on funding availability. Below is a description of how the Energy Commission ~~will~~ distributed funds in April 2001 when the event that the cumulative claims reported in MPRs exceeded the \$15 million cap for non-residential, non-small commercial customers. ~~This same process will be used to close out the account. or the \$75.6 million available to all customers.~~

### ***\$15 million Cap for Non-Residential and Non-Small Commercial Customers***

If, in a given month, the cumulative claims of the payable invoices from all providers exceeds the \$15 million cap, payments on credits passed on to non-residential and non-small commercial customers will be made in proportion to the funds available. To calculate the percent of each provider's invoices that are payable, the Energy Commission will divide the funds available by the total amount of customer credit paid to non-residential and non-small commercial customers that was claimed from all providers in the given month that MPRs are submitted to the Commission. This ratio will then be multiplied by the amount shown in Box 7c of each provider's MPR (Box 7c gives the amount of credits passed on to non-residential, non-small commercial customers). If

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<sup>11</sup> As previously discussed, the Commission is reallocating \$10 million from the Customer Credit Subaccount to the Emerging Renewable Resources Account. Consequently, the procedures described herein for implementing the \$75.6 million cap to close out this account will be applied once cumulative payments from the Customer Credit Subaccount total \$65.6 million.

after calculating the portion that is payable, a provider has excess customer credits, those credits can be banked for possible payment in the future. This process was executed in April 2001 when funds claimed for this group of customers exceeded the \$15 million cap.

An example is useful to illustrate the proposed process. In this scenario, MPRs are received by December 10<sup>th</sup> from two providers and the cumulative customer credits reported as passed on to non-residential and non-small commercial customers exceeds \$15 million. Provider A submits an MPR for October load served and reports that it has passed on \$300,000 to its large customers. Provider B submits an MPR for October load served and reports to have passed on \$100,000 to its large customers, for a total of \$400,000. Available funds are \$300,000, which covers 75 percent of the claims, and so each provider's claims will be prorated accordingly. Provider A will be credited for \$225,000 ( $0.75 * \$300,000$ ) and provider B will be credited for \$75,000 ( $0.75 * \$100,000$ ) for credits passed on to non-residential and non-small commercial customers. Payments for each provider then will be calculated and excess customer credits may be banked as usual.

### ***\$75.6 Million Cap to Close Out the Account***

The process for closing out the account ~~ensuring that the \$75.6 million dollar cap is not exceeded~~ is similar to the procedure used to implement the \$15 million cap, except that the Commission will prorate actual payments to providers, rather than the amount of customer credit that the provider passed on to customers. In the month that cumulative payments to all providers submitting invoices exceeds \$75.6 million, the payments to each provider in that month will be prorated accordingly. Any banked credits that remain after the final payment is made will be cleared from the account and will not be redeemable for payment.

For example, if in a given month the cumulative payments from the Customer Credit Subaccount (not including banked credits) equal \$75.5 million, then total payments that month must not exceed \$100,000. In this example the Energy Commission calculates that the payment to provider A would equal \$150,000 and payment to provider B would equal \$50,000, for a total of \$200,000 if there were no funding constraint. To implement the \$75.6 million cap, however, each provider will receive 50 percent of what they would have otherwise been paid (\$150,000 plus \$50,000 multiplied by 50 percent equals \$100,000, the amount of funding available). Provider A would be paid \$75,000 and provider B would be paid \$50,000. Any banked credits that remained for Provider A and B after making these final payments would not be redeemable.

## **Other Reporting Requirements**

Providers receiving payments from the Customer Credit Subaccount and registered wholesalers are required to submit additional information periodically. This is necessary to meet the Energy Commission's reporting requirements to the Legislature and to help assess the effectiveness of the program in advancing the development of a viable and economical renewable market in California. These reporting requirements also provide a tool to monitor compliance with program requirements, and are subject to random spot audits for verification.