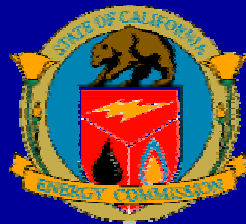


# California Development of DG Standby Rates and Exit Fees

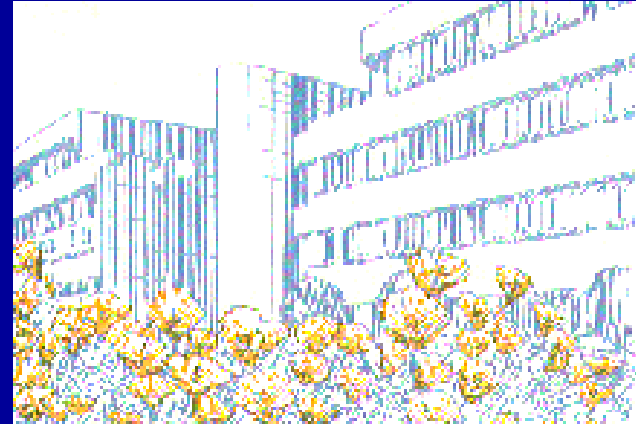
*Midwest CHP Initiative  
Distributed Generation Tariff Workshop  
St. Paul, Minnesota*



Scott Tomashefsky  
California Energy Commission  
May 14, 2003

# California Energy Commission

- Energy policy and information advisor to the California governor and legislature.
- Major Functions:
  - License power plants
  - Promote energy efficiency and conservation.
  - Advance energy technologies.
  - Assess current and future energy trends.

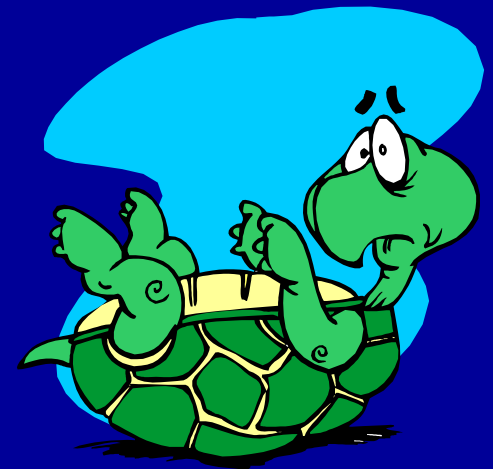


# An Opening Thought:

*Effective Deployment of DG Needs Clear Direction From Policymakers.*

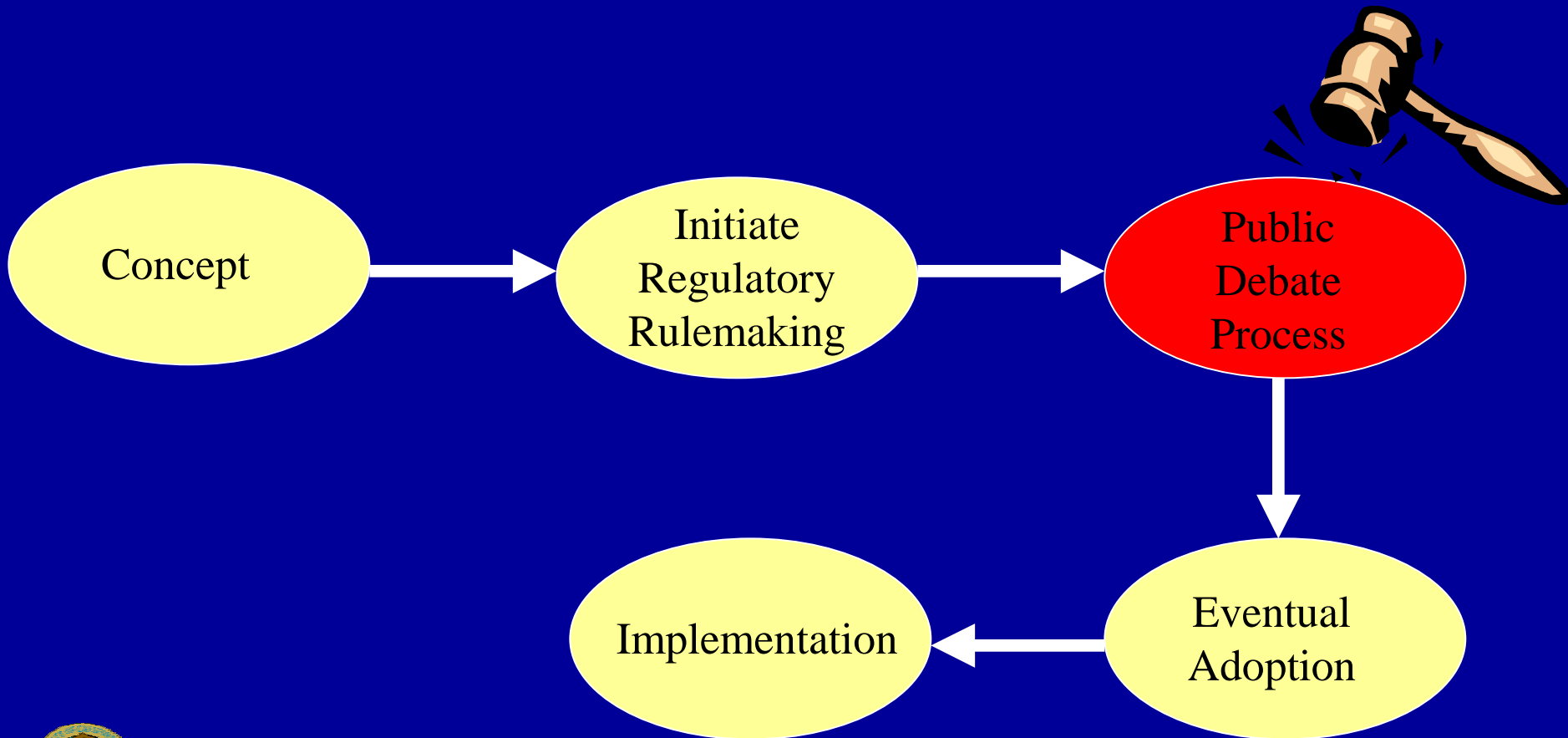
*The energy policy California has right now is a little like the turtle on the fence post. We know it didn't get there by itself, we're not quite sure who put it there or why, and we know it can't get down by itself.*

Senator Debra Bowen  
Chair, Senate Energy Committee  
Winter 2003



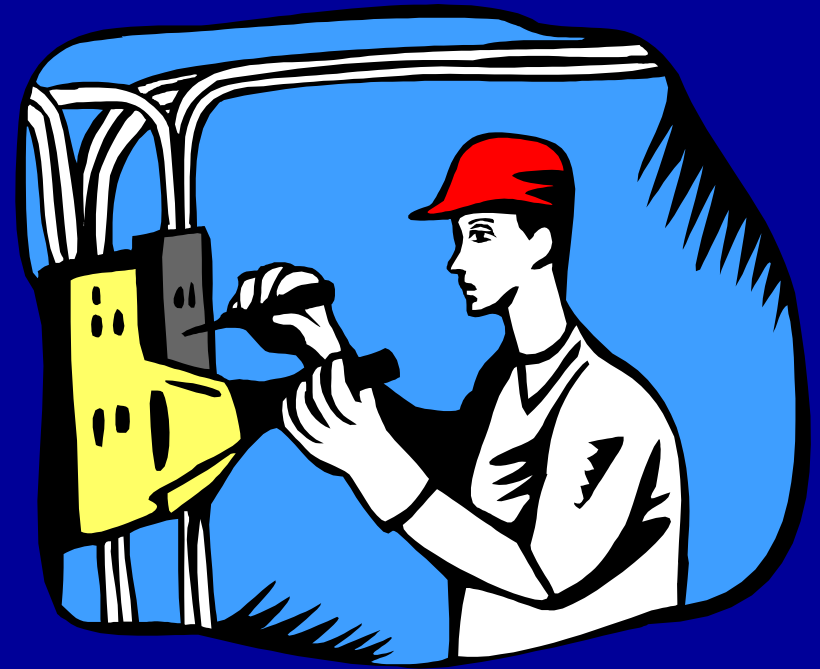
# Another Opening Thought:

*Rate Design Implementation Takes Time!*



# California Standby Rate Design Policies for Distributed Generation

- DG customers can avoid standby charges if it provides utility with physical assurance.
- It is appropriate to recover distribution infrastructure costs from backup customers.
- Public purpose costs should continue to be collected from standby customers.
- Charges should recover fixed costs through reservation charges and variable costs through usage charges.



# DG Rate Design Has Progressed Slowly in California



- Utilities submitted DG rate design applications in September 2001.
- Parties filed comments in utility proposals in October/November 2001.
- No action taken through most of 2002, eventually rejecting utility proposals.
- CPUC instead decides to incorporate rate design proposals into utility rate design proceedings, with resolution expected by the end of 2003.



# California Standby Rate Exemptions Are Available



- Stakeholders frustrated with speed of regulatory process.
- California Senate Bill 28 1X issued in April 2001 required utilities to provide DG customers with an exemption from standby charges.
- Exemption granted through 2011 for customers installing CHP-related generation by June 2003.
- Recent changes have extended the date through the end of 2004.



# DG Exit Fees and Its Rationale

*You can check out anytime you like, but you can never leave...*  
(The Eagles, Hotel California, 1976)

- California energy crisis created \$50+ billion in added costs to ratepayers.
- Bond charges, long-term contracts and more!
- State Policy: Everyone needs to repay the “mortgage.”





# Departing Load Exit Fees and Exemptions

## MAJOR SURCHARGE CATEGORIES



SCE Historical Procurement Charges

6/00 - 1/17/01 Costs

DWR Bond Charges

1/17/01 - 12/31/02 Costs

DWR LT Contracts Charges

2001 - 2002 Costs

## ACTUAL FEE



2.7 cents/kWh until SCE PROACT paid

0.7 cents/kWh

2.7 cents/kWh???  
Equal to Direct Access Surcharge

## CUSTOMER EXEMPTIONS

### Complete Exemption

- Net Metering customers below 1 MW.
- Biogas customers eligible under AB2228.
- Departing load Under 1 MW that is eligible for financial incentives from the CEC or CPUC.
- Departing load receiving service on or before 2/1/01.

### Exemption from DWR LT Contracts

- Departing load Above 1 MW but defined as “ultra-clean and low emissions” (No HPC payment either)
- 3000 MW of customer generation as determined by the CEC.
- Limit of 1500 MW to generation not classified as “ultra-clean and low emissions”



# The Energy Commission Gets to Determine Eligibility for the Exit Fee Exemption

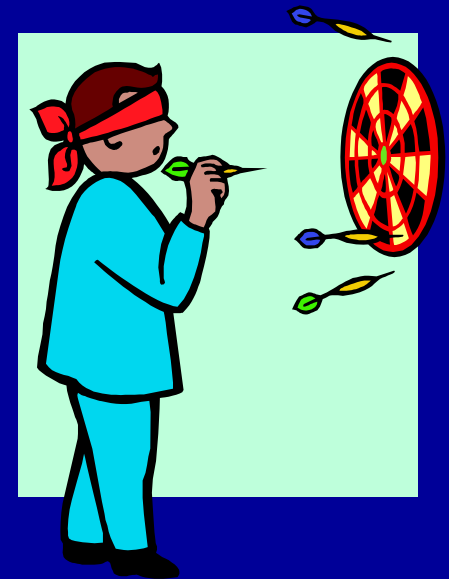


- Systems under 1 MW count toward to the cap, but exemptions are automatically counted. (Conclusion of Law #17, Decision 03-04-030, Page 63)
- Cap determined on a first-come, first-serve basis.
- 1500 MW limit of exempt departing load not classified as “ultra clean/low emissions allocated in the following timeframe:
  - 600 MW by 2004
  - 500 MW by July 1, 2008
  - 400 MW thereafter
- UC/CSU receives the following set-aside within the caps:
  - 10 MW by the end of 2004
  - 80 MW by the end of 2008
  - 75 MW thereafter



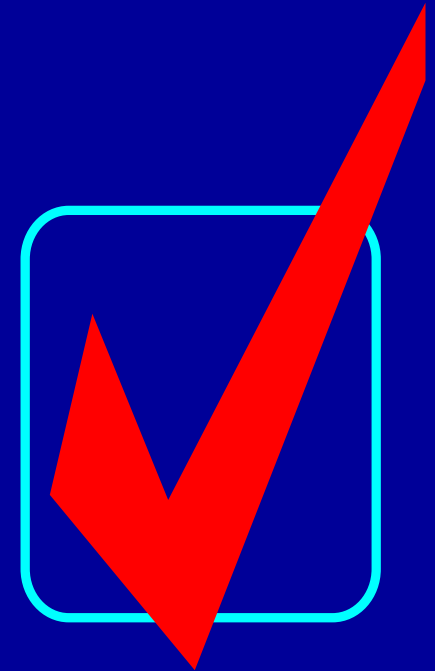
# Possible Schedule for Exit Fee Exemption Eligibility Proceeding

- Open rulemaking late-May.
- Hold initial workshops in June
- Issue Scoping Memo in mid-June
- Have stakeholder working group meetings in July and August.
- Hold hearings in September to discuss working group recommendations.
- Adopt Committee recommendation in late October.

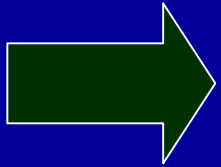


# California Regulators Remain Interested in DG

- Energy Action Plan adopted by the CPUC, Energy Commission, and Power Authority commit to the active deployment of DG.
- CPUC will initiate a new DG rulemaking in the next couple of months, with close collaboration with the Energy Commission.
  - Major emphasis likely to focus on cost/benefit analysis
  - Will tie in Energy Commission R&D efforts to public policy objectives.
- DG Equipment presently being certified by California Air Resources Board.



# For Additional Information, Please Contact Me...



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