

Proposed Rule 1304.2 – Qualified
Electrical Generating Facility Fee For
Use Of SOx And PM10 Offsets

AND

Proposed Rule 1304.3 – Qualified Native
Load Electrical Generating Facility Fee
For Use Of SOx and PM10 Offsets

Working Group Meeting #3

April 22, 2015



Background

- Rule 1304.1 applicable to Repowering of units at Existing power plants - Adopted 9/6/2013
- Provides PM, NO_x, SO_x and VOC Offsets for a fee
- Current dearth of PM, SO_x and NO_x ERCs available in the open market

Objectives of PR 1304.2

- Implement Governor's Grid Reliability Task Force Report – Contingency Measures
- Promote preferred resources
 - CPUC Loading Order
 - CARB AB32 Scoping Plan
 - SCAQMD Energy Policy
- Level playing field for new generation and capacity increases
- Facilitate grid reliability
- Assist in implementation of attainment strategy

Progress to Date

- Informal Meetings with key stakeholders since February 2014 Board Meeting
- Working Group Meeting #1 – July 10, 2014
- Working Group Meeting #2 – November 20, 2014
- Development of revised draft Proposed Rule 1304.2 and new draft Proposed Rule 1304.3
- Working Group Meeting #3 – April 22, 2015

Draft Proposed Rule 1304.2 and 1304.3 Development

- Decision to split PR 1304.2 into revised PR 1304.2 and new PR 1304.3
- PR 1304.2 – Investor Owned Utilities (IOUs) – New Generation only
- PR 1304.3 – Local Publicly Owned Electric Utility servicing their Native Load – New Generation and Increased capacity of existing units
- Rules Similar in construct

QEGF Definition

- PR 1304.2
QUALIFIED ELECTRICAL GENERATING FACILITY (QEGF) means a new facility that generates electricity for distribution in the state or local grid system.
- PR 1304.3
QUALIFIED ELECTRICAL GENERATING FACILITY (QEGF) means a new facility, or increased capacity at an existing facility, that generates electricity for distribution in the state or local grid system, regardless of whether it also generates electricity for its own use or for use pursuant to a contract.

Commencement of Operation Definition

■ PR 1304.2

COMMENCEMENT OF OPERATION means to have begun the first fire of the new unit(s), or to generate electricity for sale from the new unit(s), including the sale of test generation.

■ PR 1304.3

COMMENCEMENT OF OPERATION means to have begun the first fire of the new unit(s), **or to have been issued a Permit to Operate for the increase in capacity,** or where the power from such generation is sold, including the sale of test generation.

Proposed Rule 1304.2 – Definitions

- INVESTOR OWNED UTILITY (IOU) is a private business organization, subject to governmental regulation that provides an essential commodity or service, such as electricity to the general public, under a California Public Utilities Commission (CPUC) Long Term Procurement Plan (LTPP).
- LONG TERM PROCUREMENT PLAN (LTPP) means a long term strategic plan pursuant to CA Public Utilities Code (CPUC) Section 454.5 and which demonstrates that the IOU will comply with State policies. Including the Renewable Portfolio Standard, and will provide safe, reliable capacity at least cost to ratepayers.

Proposed Rule 1304.3 – Definitions

- NATIVE LOAD means the wholesale and retail customers that:
 - (a) A Local Publicly Owned Electric Utility (LPOEU), by statute, franchise, regulatory requirements, or contract has an obligation to serve;
 - (b) Are the subject of an IRP or equivalent public process approved by the appropriate oversight body of the LPOEU; and
 - (c) On whose behalf a LPOEU has undertaken an obligation to construct and operate those facilities required to meet the reliable electric needs of such customers.

Proposed Rule 1304.3 – Definitions (cont.)

- **INTERGRATED RESOURCE PLAN (IRP)** means a plan describing the mix of energy supply resources and conservation programs that will meet forecasted energy needs as approved by the local decision making body.
- **LOCAL PUBLICLY OWNED ELECTRIC UTILITY (LPOEU)** means a municipal utility, a municipal utility District, a public District, an Irrigation District or Joint Powers Authority as defined in the CA Public Utilities Code (CPUC) Section 224.3.

Side By Side Rule Comparison

	PR 1304.2 (IOU with CPUC approved contract)	PR 1304.3 (Native) Load
Purpose & Applicability	New construction only	New construction and increased capacity of existing generation (including increased capacity factors through permit modifications)
Definitions (Unique to each Proposed Rule)	<ul style="list-style-type: none"> •IOU •LTPP 	<ul style="list-style-type: none"> •IRP •LPOEU •Native Load
Required	IOU to establish needed MW based on LTPP approved by CPUC	<ul style="list-style-type: none"> •Based on LPOEU approved IRP or similar public process •Serve Native Load & Grid Reliability •Preferred Loading Order

Side By Side Rule Comparison cont.

	PR 1304.2 (IOU with CPUC approved contract)	PR 1304.3 (Native) Load
Determining MW Needed	IOU to provide EO with estimate of needed fossil fuel generation based on CPUC approved LTPP	Based on IRP approved by public agency or municipality designed to service native load requirements & grid reliability
Requirements to Earmark / Encumber Offsets	<ul style="list-style-type: none"> • Executed contracts between QEGF and IOU • QEGF to procure ERCs • Comply with 1315(d) Federal NSR Equivalency Determination Reports • Any encumbrances must not reduce the Districts internal offset accounts balance below 50 lb/day of SOx and 420 lb/day of PM 	<ul style="list-style-type: none"> • Documented Good Faith Effort to obtain ERCs • Application Deemed Complete • Comply with 1315(d) Federal NSR Equivalency Determination Reports • Any encumbrances must not reduce the Districts internal offset accounts balance below 50 lb/day of SOx and 420 lb/day of PM • In compliance with all other District Rules and Regulations

Rule Differences Side By Side cont.

	PR 1304.2 (IOU)	PR 1304.3 (Native) Load
Requirements to Earmark / Encumber Offsets (cont.)	<ul style="list-style-type: none"> • Appropriate CEQA document has been certified • Payment of either the single fee or 1st year annual payment • Documented Good Faith Effort to obtain ERCs • Must not cause increase in the Rule 1315 Projections of Net Cumulative Net Emission Increase 	<ul style="list-style-type: none"> • Must first exhaust all offsets available pursuant to Rule 1304(a)(2), Rule 1309 and Rule 1304.3 • Must not cause increase in the Rule 1315 Projections of Net Cumulative Net Emission Increase “Lower of RFQ and requested MW”
Requirements for Use of Offsets (Prior to Issuance of P/C)	<ul style="list-style-type: none"> • CEQA approved • Make first payment 	<ul style="list-style-type: none"> • CEQA approved • Make first payment

Rule Differences Side By Side cont.

	PR 1304.2 (IOU)	PR 1304.3 (Native) Load
Additional Conditions	<ul style="list-style-type: none">• QEGFs will be assigned offsets for a fee per executed CPUC approved contracts	<ul style="list-style-type: none">• Earmarked offsets will be available for use for a period of 24 months after EO approval after which must be renewed for a maximum of additional 36 after which they are forfeit back to District offset accounts• LPOEU shall procure offsets as needed pursuant to an publicly approved/adopted IRP

Provisions Common to Both Rules

■ Offset Fee Payment

- Based on established Rule 1304.1 prices for Non-RECLAIM SOx and PM10 adjusted for CPI

■ Prior to Issuance of the P/C

■ Annual Offset Fee Payment Option

- Must pay 1st year of offset fee, as a deposit, for maximum proposed MW prior to the issuance of the PC
- 1st year fee is non-refundable
- A fee payment is due each year thereafter on PC issuance anniversary for MW that has commenced operation at the fee rates in effect

Provisions Common to Both Rules

cont.

- Fee Based on total MW of new generation
- Single Payment Option – fee due prior to the issuance of the P/C
- Additional Features
 - Prior to commencement of construction of each new QEGF permit unit, the LPOEU or IOU may petition the EO to limit MW and apply for a refund

Provisions Common to Both Rules

cont.

- No refund of 1st Year (reservation / encumbrance) fees or admin fees
- Up-front lump sum payment, or hybrid of the two options.
- May convert from annual to single payment with a credit of fees paid
- If payment delinquent for more than 30 days permits cancelled. May be re-instated up to 60 days from delinquency with a 50% penalty
- Unused or returned offsets revert back to offset accounts for use pursuant to other rules

Provisions Common to Both Rules

cont.

■ Use of Fees

- Deposited in SCAQMD restricted fund
- Emissions reductions consistent with AQMP.
- Priority to be given to projects in the community where they are sited and EJ areas.
- Up to 8% may be used for administrative costs.

Key Issues

- Joint Powers Authorities under PR 1304.3 – how to address?
- Lower fee rates for units <100 MW
- Power generated pursuant to these rules to be for In-Basin use only

Rule Development

Proposed Schedule

Informal Meetings	March - June 2014
Working Group Meeting #1	July 10, 2014
Working Group Meeting #2	November 20, 2014
Working Group Meeting #3	April 22, 2015
Working Group Meeting #4	June 2015?
Adoption Hearing	4 th Quarter 2015 ?