



# CHP in California:

## Feed-in Tariff (FiT)

### Assembly Bill 1613

#### Policy Description



Los Angeles, California

SOURCE: <https://www.goodfreephotos.com>

Over the past several decades, California has established aggressive statewide goals for reducing greenhouse gas (GHG) emissions. To meet these goals, lawmakers, regulators, and utilities have implemented policies to incentivize the efficient generation and use of energy. In 2007, California passed Assembly Bill (AB) 1613, which ordered the creation of a feed-in tariff (FiT) to support a technology that drastically reduces the wasteful consumption of energy: combined heat and power (CHP).

#### About Feed-in Tariffs

FiTs are designed to encourage development of eligible energy projects by providing access to the electric grid and setting a price, or tariff, for electricity exported to the grid. AB 1613 created a FiT for certified CHP facilities meeting efficiency and performance requirements. As of October 2018, there are seven AB 1613 certified facilities with a total energy capacity of 45.3 MW combined.

Facility Name	Thermal Application	System Size (MW)
Sonoma County	Space conditioning	1.4
Chevron McKittrick	Crude oil extraction	10.3
Pixley Cogen	Ethanol distillation	12
Houweling Tomatoes	Greenhouse conditioning	13
Elk Grove Milling	Cooking	1
Technicast	Metal heating	1.4
SunSelect Produce	Greenhouse conditioning	6.2
Total Certified Capacity		45.3

Source: California Energy Commission staff

## California's Feed-in Tariff for CHP



**Houweling Tomatoes, AB 1613 Certified CHP System**

SOURCE: <https://www.freshplaza.com/article/119897/>

### How AB 1613 Works

- Requires electrical corporations to purchase excess electricity delivered to the grid from an eligible CHP system.
- The California Energy Commission (CEC) sets criteria and certifies facilities. Project requirements include:
  - Generating capacity up to 20 MW
  - Total operational efficiency above 62%
  - An operation start date after January 1, 2008
- The California Public Utilities Commission (CPUC) specifies a standard tariff for payment per kilowatt hour:
  - A 10% location bonus encourages installation siting in areas where distributed generation could be beneficial.

## CHP Feed-in Tariff and the Federal Energy Regulatory Commission

In 2010, California's major electric investor-owned utilities raised concerns that the FiT interfered with federal regulations. The Federal Energy Regulatory Commission (FERC) eventually found the FiT did not interfere with federal regulations, so long as:

- CHP generators obtain qualifying facility (QF) status from FERC under the Public Utility Regulatory Policy Act.
- The FiT rate established by the CPUC does not exceed what the utility would have otherwise paid for electricity (avoided cost).

In addition, FERC found that states have a wide degree of latitude in setting avoided costs.

Thus, the CPUC can continue to set the FiT price based on an avoided cost, which includes the costs of complying with state energy procurement and environmental laws.

## Lessons Learned

California's experience with AB 1613 provides several important takeaways. The following factors should be considered when forming FiTs specific to CHP:

- **Reduce uncertainties around grid interconnection processes:** Projects that apply to the CHP FiT can experience delays and unexpected costs due to interconnection issues. Many states have revised or updated interconnection standards to streamline processes, reduce timelines, and make other adjustments to encourage adoption of distributed energy resources.
- **Explore how tariffs can incorporate broader policy goals:** The CPUC incorporated the environmental and locational benefits of CHP when calculating avoided cost to set the tariff. This helps ensure the costs and benefits of CHP are valued appropriately in support of broader state policies.
- **Consider interaction with existing laws and regulations:** Legal challenges related to complying with FERC regulations added complications for implementing AB 1613 in California. By researching other policies and the state's permitting process before installing CHP systems, end users can prepare for procedures in advance.

## For More Information

### **U.S. DOE WESTERN CHP TECHNICAL ASSISTANCE PARTNERSHIP (CHP TAP)**

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### **CPUC FIT INFORMATION**

<http://www.cpuc.ca.gov/general.aspx?id=5131>

### **More CHP Policy Profiles:**

[www.WCHPTAP.org](http://www.WCHPTAP.org)

Date produced: 2019