

VOLUME 1

# Existing Renewable Resources Account

August 1998

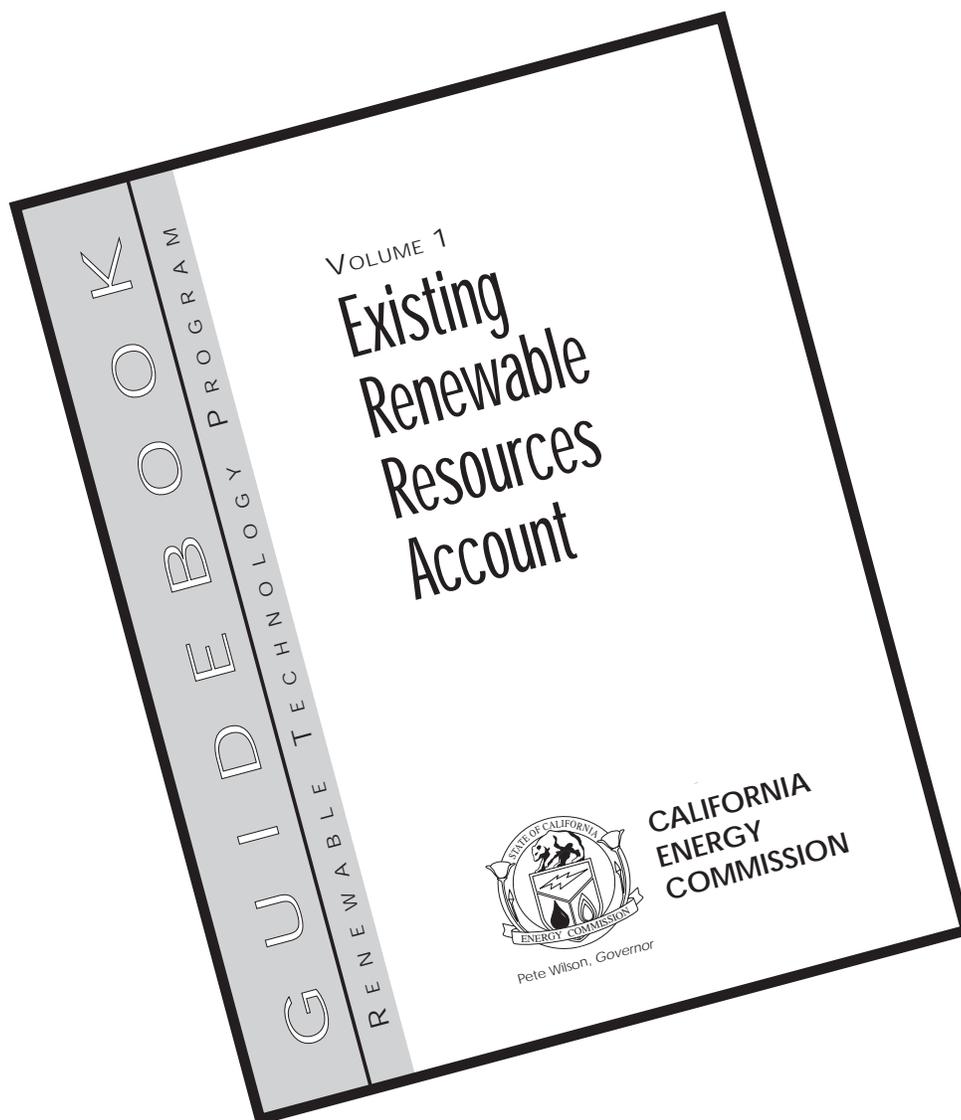


**CALIFORNIA  
ENERGY  
COMMISSION**

Pete Wilson, *Governor*

P500-97-011V1

This document is a revised version of Volume 1 of the Guidebook for the Renewable Technology Program, Existing Renewable Resources Account, originally published in January 1998.



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## CALIFORNIA ENERGY COMMISSION

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**These guidelines were formally adopted by the California Energy Commission on January 21, 1998, pursuant to Senate Bill 90 (Chp. 905, Stats. 97). Revisions to the guidelines were adopted by the Commission August 12, 1998.**

**This guidebook contains general instructions for existing renewable power suppliers on how to qualify and apply for funding from the Existing Renewable Resources Account of the Renewable Resource Trust Fund. For more detailed information on the Renewable Resource Trust Fund, please see the Energy Commission's Policy Report on AB 1890 Renewables Funding. The report (Publication Number P500-97-002) may be obtained through the California Energy Commission's Publications Office at (916) 654-5200.**

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# Introduction

Assembly Bill 1890 (AB 1890), 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>1</sup> to the Legislature with recommendations for allocating the \$540 million.

Senate Bill 90 (SB 90), 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>2</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
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 participants in the Renewables Program in applying for funding from the various accounts within the program, the Energy Commission developed this **Guidebook for the Renewable Technology Program**. The guidebook is divided into four volumes, each 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

<sup>1</sup> **Policy Report on AB 1890 Renewables Funding**, published March 1997, publication number 500-97-002.

<sup>2</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.

# Overview of the Existing Renewable Resources Account

Volume 1 addresses the application and funding process for existing renewable technologies. The process has two stages: 1) generators first apply to become registered as a renewable supplier; 2) registered renewable suppliers must then meet certain eligibility criteria to receive funding from the program. The Energy Commission will issue two certificates to the generator – one for being a registered renewable supplier, and one showing that the supplier is eligible to receive funds from the program. The reason for this two-step process is that some generators may qualify as renewable suppliers without being eligible to receive funding. In addition, some generators that are renewable may not qualify for funding when the program begins, but may qualify at a later time.

The Energy Commission will also register renewable energy service providers (marketers, aggregators, and those providing electricity directly to end users) in a separate process. These providers may then apply for customer rebate funds as part of the Renewables Program. Please see Volume 4 of the ***Guidebook for the Renewable Technology Program*** for further information about renewable electric service providers and customer rebates.

Funds from the program will be distributed to renewable suppliers through a simple cents per kilowatt-hour (kWh) payment. The payment will be based on the **lowest** of three possible calculations: the difference between a target price and the market clearing price; a pre-determined cents per kWh cap for the respective tier technology (caps and target prices are shown in Table 2 on page 3); or the funds-adjusted price for your particular technology (see page 12 for an explanation of this term). The value of the market clearing price used in calculating the payment is currently the weighted seasonal average short-run avoided energy cost **specific to each of the three utility service areas** (Pacific Gas & Electric [PG&E], Southern California Edison [SCE], and San Diego Gas & Electric [SDG&E]). This means that the market clearing price for facilities located in PG&E's service territory will be different than the market clearing price for facilities located in SCE's or SDG&E's service territory. This market clearing price will change over to the **energy price paid by the Power Exchange** once the California Public Utilities Commission (CPUC) issues an order determining that the independent Power Exchange is functioning properly for the purposes of determining the short-run avoided cost energy payments to be made to nonutility power generators by electrical corporations.

Existing renewable technologies are divided into three tiers. Tier 1 contains biomass, waste tire, and solar thermal technologies. Tier 2 contains wind technologies. Tier 3 contains geothermal, small hydro (hydro with a capacity of 30 megawatts or less), digester gas, landfill gas, and municipal solid waste. The target prices and incentive caps for each tier are shown in Table 2. For a more detailed explanation of the rationale behind tier assignments, target prices, or caps, please see the Energy Commission's ***Policy Report on AB 1890 Renewables Funding***.

**Table 2**  
**Target Prices and Payment Caps**  
**for Existing Technologies**  
**(cents per kWh)**

		1998	1999	2000	2001
Tier 1 (Biomass, Waste Tire, Solar Thermal)	Target Price	5.0	4.5	4.0	4.0
	Cap	1.5	1.5	1.0	1.0
Tier 2 (Wind)	Target Price	3.5	3.5	3.5	3.5
	Cap	1.0	1.0	1.0	1.0
Tier 3 (Geothermal, Small Hydro, Digester Gas, Landfill Gas [LFG], and Municipal Solid Waste [MSW])	Target Price	3.0	3.0	3.0	3.0
	Cap	1.0	1.0	1.0	1.0

## Who Qualifies as a Registered Renewable Supplier?

To qualify for registration as a Renewable Supplier, the facility must use one (or more) of the following energy sources to generate electricity: solar, wind, geothermal, solid-fuel biomass, waste tire, municipal solid waste, digester gas, or hydropower with a generating capacity of 30 megawatts or less.<sup>3</sup> The facility can not use more than 25 percent fossil fuel.<sup>4</sup> The facility may be located in California or out-of-state. Being registered as a renewable supplier does not automatically make you eligible for funds from the Renewable Resources Trust Fund; to be eligible for funding, you must meet the eligibility requirements outlined below.

## Who Qualifies For Funds?

**The energy you produce QUALIFIES for funding from this account if:**

1. The facility is either (a) physically located within the state of California **AND** was operational prior to September 26, 1996 **AND** is certified as a Qualifying Facility pursuant to section 292.207 of Title 18 of the Code of Federal Regulations (includes repowered facilities); **OR** (b) was operational prior to September 26, 1996 **AND** is certified as a Qualifying Facility pursuant to section 292.207 of Title 18 of the Code

<sup>3</sup> The 30 megawatt limitation applies to the sum capacity of all hydroelectric turbine generators employed at a facility.

<sup>4</sup> The content of all fossil fuels used, in the aggregate, may not exceed 25 percent of the total energy input of the facility during a given calendar year (Title 18 of CFR, section 292.204[b]).

of Federal Regulations **AND** began selling electricity to a California electric corporation prior to September 26, 1996 under a Standard Offer contract authorized by the California Public Utilities Commission; **AND**

2. The energy is sold to customers **WITHIN** the state of California; **AND**
3. The energy is **NOT** receiving any fixed energy price payments under a contract with an existing investor-owned utility,<sup>5,6</sup> **AND**
4. The facility is **NOT** owned by an existing investor-owned utility or a local publicly owned electric utility<sup>7</sup> (municipal utility, irrigation district, joint powers authority, etc. receiving or eligible to receive a competitive transition charge [CTC]); **AND**
5. The energy is **NOT** used on site (self-generation); **AND**
6. The energy is **NOT** sold to customers of local publicly owned electric utilities; **AND**
7. The energy is **NOT** excluded from any applicable CTC (such as an over-the-fence transaction<sup>8</sup>)

NOTE: Energy from incremental generation additions or enhancements to the facility, and energy sold through a power exchange, is eligible for funding from the Existing Renewable Resources Account.

### **The energy you produce DOES NOT QUALIFY for funding if:**

1. The facility uses a “conventional power source” as defined by the Public Utilities Code (please see the “Definitions” section at the end of this guidebook) and/or uses **MORE THAN 25 percent fossil fuel; OR**
2. The facility is located **OUTSIDE** of the state of California, unless the facility was operational prior to September 26, 1996 **AND** is certified as a Qualifying Facility pursuant to section 292.207 of Title 18 of the Code of Federal Regulations **AND** began selling electricity to a California electric corporation prior to September 26, 1996 under a Standard Offer contract authorized by the California Public Utilities Commission; **OR**

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<sup>5</sup> As opposed to variable energy price payments, which are based on market conditions such as short-run avoided cost and were not ascertainable at the time the contract was executed. Generally, SO4 and other similar contracts with negotiated payment terms have fixed energy price payments.

<sup>6</sup> In cases where there is a dispute between a facility and its related utility regarding the end of the facility's fixed energy price period (“cliff”), the Energy Commission will provide funding to the facility as otherwise provided in these guidelines as of the facility's declared eligibility date, provided the following conditions are met to the Energy Commission's satisfaction: 1) the facility is registered as a renewable supplier eligible for funding; (2) the facility provides written notification to the Energy Commission's Administrator of the Existing Renewable Resources Account that a formal dispute between the facility and its related utility is underway; (3) the facility provides the Energy Commission with a corporate guaranty, third-party guaranty, judgement lien and/or other financial assurances acceptable to the Energy Commission that protects all funds payable to the facility while the dispute is pending from loss, that provides the Energy Commission with recourse to eliminate all risk or liability to the Existing Renewable Resources Account as a result of said payments to the facility, and that is irrevocable until such time as the dispute is finally resolved or the facility repays the Energy Commission for all incentives funds received from the Existing Renewable Resources Account, plus interest assessed at the state's prevailing pooled money rate, whichever occurs first; and (4) the facility legally commits to repay any incentive funds it receives from the Existing Renewable Resources Account, plus interest assessed at the state's prevailing pooled money rate, within sixty (60) days of its receipt of the utility's payment to the extent the facility prevails in the dispute or by December 31, 2001, whichever occurs first.

<sup>7</sup> As defined by the Public Utilities Code section 9604, subdivision (d).

<sup>8</sup> See Section 372 of the Public Utilities Code.

3. The energy is sold **OUTSIDE** of the state of California; **OR**
4. The facility first began generating electricity for sale **AFTER** September 26, 1996; **OR**
5. The energy receives fixed energy price payments under a long-term contract with an existing investor-owned utility; **OR**
6. The facility is owned by an existing investor-owned utility or a local publicly owned electric utility (municipal utility, irrigation district, joint powers authority, etc. receiving or eligible to receive a competitive transition charge [CTC]); **OR**
7. The energy is produced for use on site (self-generation); **OR**
8. The energy is sold to customers of local publicly owned electric utilities; **OR**
9. The energy is excluded from an applicable CTC (such as an over-the-fence transaction)

## How Do I Apply?

To register as a renewable supplier, you must complete form CEC-1890A-1, Registration Form for Renewable Suppliers, and submit it to the Energy Commission. If you meet the eligibility requirements described in the previous section of this guidebook, you may also apply for funding using form CEC-1890A-2, Funding Eligibility Form for Renewable Suppliers.

Your qualifying generation is eligible for funds on the date the Energy Commission receives your completed forms, provided the Commission determines you are eligible to receive funding. Pre-registration generation is not eligible, with one exception. Because of legislative limits, the Energy Commission cannot begin registering renewable suppliers until after January 1, 1998. Therefore, for the months of January and February 1998 **ONLY**, your generation will be eligible for funding as long as your funding eligibility form is received by the Energy Commission by close of business (5 p.m.) on February 22, 1998.

After February 1998, those wishing to apply for registration and funding eligibility must have their registration and funding eligibility form(s) received by the Energy Commission no later than close of business (5 p.m.) on the first business day of the month to be eligible to receive incentive payments for that month's generation. Facilities submitting forms after this time may be registered as renewable suppliers but their generation will not be eligible for funds until the following month.

Facilities that are not eligible for funding at the beginning of the program but who will become eligible at a later date (because, for example, they will have reached the end of the fixed energy price period of their contract) should apply for funding eligibility at the beginning of the month during which they anticipate becoming eligible. Therefore,

if a facility reaches the end of its fixed price period on March 15, 1998, it should apply for funding eligibility no later than March 1, 1998. Only the qualifying portion of that month's generation will be eligible for funding.

To receive funding, you must also complete the State of California Vendor Record (STD-204) which has also been included with this guidebook. The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646, and Internal Revenue Code, Section 6109. This form must be on file with the Energy Commission in order for any payments to be made. If you have any questions about this form, please contact the California Franchise Tax Board at 1-800-852-5711.

The forms to apply for registration and for funding are included with this guidebook and are also available from the Energy Commission. Please call (916) 654-4516 for questions concerning eligibility or to request additional forms. Forms are also available on the Internet at the Energy Commission website at:  
<<http://www.energy.ca.gov>>

**Completed forms may be sent by telefax or mailed to: Renewable Technology Program, California Energy Commission, 1516 Ninth Street, MS-45, Sacramento, CA 95814-5512, Fax: (916) 653-8251.**

Detailed instructions for completing CEC-1890A-1, CEC-1890A-2, and STD-204 follow.

## **CEC-1890A-1, Registration Form for Renewable Suppliers**

For initial registration, please check the box in the upper right-hand corner for "Original."

1. **Name of Facility** -- Current full name of the generating facility. Include name of business or company that owns facility, if different than facility name
2. **QFID Number** -- The ID number assigned by your utility. This is sometimes also called the log number
3. **Physical Address of Facility** -- Actual physical location of the generating facility
4. **Contact Person** -- Name, address, and telephone/telefax number for the contact person for any questions or concerns the Energy Commission may have
5. **Energy Source** -- Energy source used for generation at the facility

6. **Capacity of Facility** -- The sum capacity, in kilowatts, of all electrical generating equipment employed at the facility.
7. **Operational Date** -- Date the facility began generating electricity
8. **Percentage of Fossil Fuel Used (if applicable)** -- Please indicate the overall percentage of fossil fuels used (if any) on a total energy input basis for the 1996 calendar year; if none, enter N/A
9. **Declaration** -- The declaration must be completed by an officer of the company such as the Chief Executive Officer, Chief Financial Officer, or a similar officer with authority to bind the company

## **CEC-1890A-2, Funding Eligibility Form for Renewable Suppliers**

For initial eligibility, please check the box in the upper right-hand corner for "Original"

1. **Name of Facility** -- Current full name of the generating facility. Include name of business or company that owns facility, if different than facility name
2. **QFID Number** -- The ID number assigned by your utility. This is sometimes also called the log number
3. **CEC ID Number** -- The Registered Renewable Supplier ID number assigned to the facility by the Energy Commission (for those facilities applying for registration and eligibility simultaneously, leave blank)
4. **Payee Name Address** -- Name and address to which payments are to be sent
5. **Type of Utility Contract/Utility Contracted With** -- Type of contract you have with an investor-owned utility, and the utility contracted with (if applicable); if not contracted with a utility, utility service area where facility is located
6. **Qualifying Facility Status** -- Indicate whether the facility is certified as a Qualifying Facility pursuant to section 292.207 of Title 18 of the Code of Federal Regulations
7. **Facility Ownership** -- Indicate whether the facility is now, or has been in the past, owned by an investor-owned utility, or a local publicly owned electric utility
8. **Self-generation** -- Indicate if *all* of energy generated at this facility is used exclusively on site (self-generation)
9. **Fixed Energy Payments** -- Indicate if the facility receives any fixed ENERGY payments, such as those in the first 10 years of utility Standard Offer 4 contracts

(fixed capacity payments do not apply). If “yes,” specify whether (1) all the energy from the facility receives fixed energy price; (2) the facility receives a blended price consisting of a mix of fixed and variable energy prices; or (3) the energy from the facility receives fixed energy payments or a blended price for an initial block of energy and variable energy payments for the energy generated above that initial block. **If the facility receives a blend of fixed and variable energy payments, the energy that receives fixed or blended price does not qualify for funding from the existing renewable resources account.** Please also include the date that the fixed energy payment portion of the facility’s contract ends.

10. **CTC Exclusion** -- Indicate if **all** of the energy generated at this facility is excluded from any applicable competitive transition charge (such as an over-the-fence transaction)
11. **Energy Sold to Out-of-State Customers** -- Indicate if all of the energy generated at this facility is sold to customers located outside of California.
12. **Energy Sold to Local Publicly-Owned Electric Utility Customers** -- Indicate if all of the energy generated at this facility is sold to customers of a local publicly-owned electric utility.
13. **First Month’s Generation** -- Indicate the month and year for the first month’s generation for which you intend to submit an invoice to the Energy Commission
14. **Third-Party Billing Statement** -- Include a copy of the most recent utility (or other independent third-party metering entity) billing statements (please include the entire statement)
15. **Declaration** -- The declaration must be completed by an officer of the company such as the Chief Executive Officer, Chief Financial Officer, or a similar officer with authority to bind the company

## **STD-204, Vendor Data Record**

1. **Return Form To** -- Already completed by the Energy Commission
2. **Vendor information** -- Please enter your business name and address; if you are a sole proprietor, enter the owner’s full name
3. **Vendor Entity Type** -- Please check the appropriate box
4. **Vendor’s Taxpayer ID Number** -- Please enter your federal ID number. If you are an individual/sole proprietor, please enter your social security number
5. **Vendor Residency Status** -- Please check the appropriate box corresponding to your residency status

6. **Registering Signature** -- The registration must be signed by an authorized representative or officer such as the Chief Executive Officer or Chief Financial Officer of the corporation, or a similar officer with authority to bind the company

## What to Expect After Applying

The Energy Commission will notify you by mail or telefax when your application for registration and for funding eligibility (if applicable) has been received. If the Energy Commission has any questions or concerns, you will be contacted by a representative. Otherwise, the Energy Commission will notify you of its determination within approximately 10 days of receiving your completed forms.

After the Energy Commission reviews your registration form, you will receive a signed certificate from the Energy Commission stating you are a Registered Renewable Supplier, along with a five-digit supplier number to be used in all subsequent transactions. If you have applied for funding eligibility, you will receive a certificate stating you are eligible to receive funds from the Renewables Program.

You will be asked to provide a monthly invoice to the Energy Commission specifying each month's qualifying generation for which you are requesting payment. For verification purposes, you will be required to submit a copy of your utility (or other independent third-party metering entity) statement along with your monthly invoice. The monthly invoice form, CEC-1890A-3, is included with this guidebook and instructions for completing the form are below.

### CEC-1890A-3, Monthly Invoice Report for Renewable Suppliers

1. **Company Name** -- Current full name of the generating facility. Include name of business or company that owns facility, if different than facility name.
2. **Statement Period** -- The billing month and year
3. **Statement Date** -- Date that the invoice is submitted to the Energy Commission
4. **CEC ID #** -- The Registered Renewable Supplier ID number assigned to the facility by the Energy Commission
5. **QFID #** -- The ID number assigned by your utility. This is sometimes also called the log number
6. **Production (in kWhs)** -- Number of kWhs of generation eligible for funding in a given billing month, and based on the statement of an independent third party.

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

Invoices must be accompanied by the written statement of an independent third party verifying your electricity production data for the billing month. The third party may be a utility, the Independent System Operator created pursuant to Section 330 of the Public Utilities Code, an aggregator, or other similar entity which is independent of you and gathers data on the amount of electricity production supplied by you to the transmission grid or distribution system on a monthly basis. If the independent third party's statement is not received in time to submit it with your invoice, you are expected to submit your invoice with other evidence of the amount of eligible power generated during the billing month. A letter explaining why the third party's statement could not be submitted and describing the evidence submitted in its place must also be submitted with the invoice. The Commission's Accounting Office will evaluate these invoices on a case-by-case basis and notify the submitting party whether the amount claimed in the invoice, or any part of it, will be accepted and paid upon. The Commission's Accounting Office may elect to pay only that portion of the amount invoiced which appears to be reasonable given the evidence submitted in support of the invoice, the prior months' generation, and other factors deemed pertinent at the time of evaluation. Subsequently, when the third party statement is available, it must be furnished to the Commission's Accounting Office and payment adjustments will be made for any differences in the estimated eligible generation and actual eligible generation.

Invoices shall be submitted to the Energy Commission by the due dates shown in Table 3, Invoicing Schedule.

**Invoices may be submitted by telefax or by mail to the following address:  
California Energy Commission, Renewable Technology Program, Attention:  
Accounting Office, MS-2, 1516 Ninth Street, Sacramento, CA 95814-5512,  
Telefax: (916) 653-1435**

Invoices must be received by the Energy Commission's Accounting Office at the above address no later than 12 am (midnight) if by telefax, or 5 p.m. PST if by mail, on the due date specified in the Invoicing Schedule. Invoices that are incomplete, illegible, or received after the due date specified in the Invoicing Schedule will be returned to you along with a written notice stating the reasons why the invoice was rejected.

Those facilities paid on a quarterly basis by the utility will also be paid quarterly by the Energy Commission. Since the amount of generation involved in those facilities that are paid quarterly is relatively small, its absence will not have an appreciable effect on the calculation of the incentive payment for those facilities that are paid monthly.

**Table 3  
Invoicing Schedule**

<b>Billing Month</b>	<b>Invoice Due Date*</b>	<b>Anticipated Payment Date</b>
January 1998	March 10, 1998	March 31, 1998
February 1998	April 10, 1998	April 30, 1998
March 1998	May 11, 1998	June 1, 1998
April 1998	June 10, 1998	June 30, 1998
May 1998	July 10, 1998	July 30, 1998
June 1998	August 10, 1998	August 31, 1998
July 1998	September 10, 1998	September 30, 1998
August 1998	October 13, 1998	November 2, 1998
September 1998	November 10, 1998	November 30, 1998
October 1998	December 10, 1998	December 31, 1998
November 1998	January 11, 1999	February 10, 1999
December 1998	February 10, 1999	March 1, 1999
January 1999	March 10, 1999	March 31, 1999
February 1999	April 12, 1999	April 30, 1999
March 1999	May 10, 1999	May 31, 1999
April 1999	June 10, 1999	June 30, 1999
May 1999	July 12, 1999	August 2, 1999
June 1999	August 10, 1999	August 31, 1999
July 1999	September 10, 1999	September 30, 1999
August 1999	October 10, 1999	November 1, 1999
September 1999	November 10, 1999	November 30, 1999
October 1999	December 10, 1999	December 31, 1999
November 1999	January 10, 2000	January 31, 2000
December 1999	February 10, 2000	February 29, 2000
January 2000	March 10, 2000	March 31, 2000
February 2000	April 10, 2000	May 1, 2000
March 2000	May 10, 2000	May 31, 2000
April 2000	June 12, 2000	June 30, 2000
May 2000	July 10, 2000	July 31, 2000
June 2000	August 10, 2000	August 31, 2000
July 2000	September 11, 2000	October 2, 2000
August 2000	October 10, 2000	October 31, 2000
September 2000	November 10, 2000	November 30, 2000
October 2000	December 11, 2000	January 2, 2001
November 2000	January 10, 2001	January 31, 2001
December 2000	February 12, 2001	February 28, 2001
January 2001	March 12, 2001	April 2, 2001
February 2001	April 10, 2001	April 30, 2001
March 2001	May 10, 2001	May 31, 2001
April 2001	June 11, 2001	July 2, 2001
May 2001	July 10, 2001	July 31, 2001
June 2001	August 10, 2001	August 31, 2001
July 2001	September 10, 2001	October 1, 2001
August 2001	October 10, 2001	October 31, 2001
September 2001	November 12, 2001	November 30, 2001
October 2001	December 10, 2001	December 31, 2001
November 2001	January 10, 2002	January 31, 2002
December 2001	February 11, 2002	February 28, 2002

\* Invoices are due approximately 40 days after the billing month.

**Suppliers that fail to properly invoice the Commission for a given billing month as specified herein shall not receive payment for that billing month.**

After receipt of invoices, the Energy Commission will calculate a cents per kilowatt-hour payment for each Tier based on the lowest of three possible formulas: 1) the difference between the market-clearing price and the target price for your particular technology; 2) the predetermined cap for your particular technology (caps and target prices are shown in Table 2 on page 2); or 3) the funds-adjusted price for your particular technology. Because the Energy Commission will be using the market-clearing price specific to each of the three utility service areas to calculate the cents/kWh payment, a straight-forward method of funds divided by generation cannot be used. The Commission will calculate the funds-adjusted price as follows: (a) divide “funds available” by total funds to be paid as calculated using the minimum of formulas 1) and 2) to obtain an adjustment fund multiplier (AFM); (b) multiply the minimum of formulas 1) and 2) by the AFM to determine the funds-adjusted price for each of the three utility service areas.

The value of the market-clearing price used in calculating the payment is currently the monthly weighted seasonal-average, short-run avoided energy cost **specific to each of the three utility service areas** (PG&E, SCE, and SDG&E). This means that the market clearing price for facilities located in PG&E’s service territory will be different than the market clearing price for facilities located in SCE’s or SDG&E’s service territory. This market clearing price will change over to the **energy price paid by the Power Exchange** once the California Public Utilities Commission (CPUC) issues an order determining that the independent Power Exchange is functioning properly for the purposes of determining the short-run avoided cost energy payments to be made to nonutility power generators by electrical corporations.

**Sample Calculation of Incentive Payment**

An example follows of how the incentive payment would be calculated for a 30 megawatt biomass facility (Tier 1) in PG&E’s service territory in the first month the program is operating. In the example, any numbers used other than target prices and caps are for illustration only and should not be considered accurate representations of market price, expected available funds, individual renewable facility generation, or total renewable generation.

<b>Tier 1 funds available for January 1998</b>	<b>\$3,600,000</b>
<b>Tier 1 funds to be paid using the minimum of (Target - Market Price) and Cap</b>	<b>\$4,500,000</b>
<b>Adjustment Fund Multiplier (AFM)</b>	<b>0.80 (\$3,600,000/\$4,500,000)</b>
<b>Total qualifying renewable generation in Tier 1 for January 1998</b>	<b>500,000,000 kWhs</b>
<b>Facility generation for January 1998</b>	<b>15,000,000 kWhs</b>
<b>PG&amp;E’s Short-Run Avoided Cost for January 1998</b>	<b>2.9 cents/kWh</b>

<b>Target price for Tier 1</b>	<b>5 cents/kWh</b>
<b>Cap for Tier 1</b>	<b>1.5 cents/kWh</b>

Using these numbers to calculate the three payment formulas, the results would be:

<b>1) Tier 1 target price - market price</b>	<b>2.1 cents/kWh</b>
<b>2) Tier 1 Cap</b>	<b>1.5 cents/kWh</b>
<b>3) Minimum of 1) and 2) (from above) multiplied by the AFM</b>	<b>1.2 cents/kWh</b>

In this example, the lowest of the three formulas would be number 3, therefore for January 1998, the 30 MW biomass facility would receive 1.2 cents per kilowatt hour, or \$180,000.

The Energy Commission intends to make incentive payments within 60 days of the end of the billing month. Therefore, payment for your January 1998 generation should be mailed to you on or about March 31, 1998. Payment for your February 1998 generation should be mailed on or about April 30, 1998, and so on. The Energy Commission will send you a statement that explains how the payment was calculated for the billing month. The statement will also give the program-to-date status both for your facility and for the entire tier of which you are a part. A sample statement for January 1998, using the numbers in the sample above, is included at the end of this guidebook.

Periodically, it may be necessary to make adjustments to your monthly payment (for instance, it may be necessary to correct a meter reading or reporting error). These adjustments will be reflected on your monthly statement.

## **Will I Ever Need to Reregister?**

If any of the information submitted on your original registration or eligibility forms changes, you must submit a new CEC-1890A-1 or CEC-1890A-2. Check the box in the upper right-hand corner for "Amended." To obtain the forms, contact the Energy Commission at (916) 654-4516.

## Definitions

**aggregator** -- an entity responsible for planning, scheduling, accounting, billing, and settlement for energy deliveries for portfolios of sellers and/or buyers.

**billing month** -- the period of time coinciding with a calendar month in which a Registered Renewable Supplier is entitled to receive an incentive payment pursuant to this guidebook.

**biomass** -- any organic material not derived from fossil fuels.

**capacity** -- the maximum amount of electricity that a generating unit, power facility, or utility can produce under specified conditions. Capacity is measured in megawatts.

**capacity payments** -- payments to electricity generators for their electric generating capacity, currently based on the costs of installing a low-cost generation type (i.e. combustion turbine) that a utility would add strictly for reliability.

**competitive transition charge (CTC)** -- a charge authorized by the California Public Utilities Commission that is imposed on investor-owned utility (IOU) ratepayers (i.e. customers that receive electricity distribution services from the IOU) to recover the costs of utility investments made on behalf of their former customers. The CTC is to be collected in a competitively-neutral manner that does not increase rates for any customer class solely due to the existence of transition costs. [Public Utilities Code Section 367 (added by AB 1890)]

**conventional power source** -- Public Utilities Code Section 2805 defines a “conventional power source “as power derived from nuclear energy, or the operation of a hydropower facility greater than 30 megawatts, or the combustion of fossil fuels with the exception of cogeneration.

**digester gas** -- gas from the anaerobic digestion of biological wastes.

**electric service provider** -- an entity such as a marketer or aggregator who provides electricity directly to an end-use customer.

**end-use customer** -- a residential, commercial, agricultural, or industrial customer in the electric industry who buys electric power to be consumed as a final product (not for resale).

**facility** -- see **project**.

**fixed energy payments** -- payments to a generator for energy delivered under a power purchase contract, which are based on a price per unit measure of electricity that was known or ascertainable at the time the contract was entered into. (Fixed energy payments cannot be based on market conditions, such as short-run avoided costs, since these conditions were not known or ascertainable at the time the power purchase contract was entered into).

**fossil fuel** -- hydrocarbons, including coal, petroleum, or natural gas, occurring in and extracted from underground deposits, and mixtures or byproducts of these hydrocarbons.

**geothermal** -- natural heat from within the earth, captured for production of electric power, space heating, or industrial steam.

**hydroelectric** -- a technology that produces electricity from falling water that turns a turbine generator, referred to as hydro. See also “small hydro.”

**in-state renewable generation** -- biomass, solar thermal, photovoltaic, wind, geothermal, small hydropower of 30 megawatts or less, waste tire, digester gas, landfill gas, and municipal solid waste generation technologies, as described in the

Policy Report on AB 1890 Renewables Funding, including any additions or enhancements thereto, that are produced in facilities located in this state and placed in operation after September 26, 1996, or that were operational prior to that date, and that are also certified under Section 292.207 of Title 18 of the Code of Federal Regulations as a qualifying small power production facility either located in California, or that began selling electricity to a California electrical corporation prior to September 26, 1996, under a Standard Offer Power Purchase Agreement authorized by the California Public Utilities Commission.

**investor-owned utility** -- an utility that is organized as a tax-paying business, whose properties are managed by representatives elected by shareholders.

**kilowatt (kW)** -- one thousand watts. A unit of measure for the amount of electricity needed to operate given equipment. A typical home using central air conditioning and other equipment might have a demand of 4-6 kW on a hot summer afternoon.

**kilowatt hour (kWh)** -- the most commonly-used unit of measure telling the amount of electricity consumed over time. It means one kilowatt of electricity supplied for one hour. A typical California household consumes about 500 kWh in an average month.

**landfill gas (LFG)** -- gas produced by the breakdown of organic matter in a landfill (composed primarily of methane and carbon dioxide) or the technology that uses this gas to produce power.

**local publicly owned electric utility** -- as defined in Public Utilities Code section 9604, subdivision (d), and which includes a municipal utility district, a public utility district, an irrigation district, or a joint powers authority made up of one or more of these entities.

**marketer** -- an entity who takes title to electric power and then resells the power to end-use customers.

**megawatt (MW)** -- one thousand kilowatts. One megawatt is about the amount of power to meet the peak demand of a large hotel.

**municipal solid waste (MSW)** -- garbage which can be processed and burned to produce energy.

**municipal utility** -- a local publicly owned (customer-owned) electric utility that owns or operates electric facilities subject to the jurisdiction of a municipality, as opposed to the California Public Utilities Commission.

**PG&E** -- Pacific Gas & Electric Company

**photovoltaic (PV)** -- a technology using a semiconductor that converts light directly into electricity.

**Power Exchange (PX)** -- an independent, nonprofit entity created pursuant to AB 1890 that is responsible for conducting an auction for the generators seeking to sell energy and for loads which are not otherwise being served by bilateral contracts. The Power Exchange will be responsible for scheduling generation, determining hourly market clearing prices for its market, and settling and billing for suppliers and retailers using its market.

**project** -- A group of one or more pieces of generating equipment, and ancillary equipment necessary to attach to the transmission grid, that is unequivocally separable from any other generating equipment or components. Two or more sets of generating equipment that are contiguous, or that share common control or maintenance facilities and schedules and are located within a one mile radius shall constitute a single project.

**provider** -- an entity that is either a supplier, marketer, or aggregator, or some combination, that provides electricity to end-use customers.

**qualifying facility** -- a qualifying small power production facility eligible for certification pursuant to Section 292.207 of Title 18 of the Code of Federal Regulations.

**repower(ed)** -- generically refers to replacing a significant portion of the generating equipment at an existing facility. In the context of this report, refers to an existing renewable generation facility that retrofits its existing facility to the point that the value of the retrofit is at least 80 percent of the value of the renovated facility.

**SCE** -- Southern California Edison Company

**SDG&E** -- San Diego Gas & Electric Company

**self-generation** -- generation of electricity used on-site and not sold into the main power grid.

**small hydro** -- a facility employing one or more hydroelectric turbine generators, the sum capacity of which does not exceed 30 megawatts. For purposes of this definition, "facility" shall be defined in a manner consistent with Title 18 of the Code of Federal Regulations, sections 292.201 et seq., provided however that the size of the facility is limited to 30 megawatts, rather than 80 megawatts.

**solar thermal** -- the conversion of sunlight to heat and its concentration and use to power a generator to produce electricity.

**solid-fuel biomass** -- a biomass technology that utilizes solid fuel, such wood, agricultural waste, and other organic material that may be burned to produce electricity.

**supplier** -- a project that generates electricity

## **Forms and Samples**

**CEC-1890A-1 -- Registration Form for Renewable Suppliers**

**CEC-1890A-2 -- Funding Eligibility Form for Renewable Suppliers**

**CEC-1890A-3 -- Monthly Invoice Form for Renewable Suppliers**

**STD-204 -- Vendor Data Record**

**Sample of Monthly Payment Statement**