

AMENDED IN ASSEMBLY AUGUST 23, 2004

AMENDED IN ASSEMBLY JUNE 19, 2003

AMENDED IN SENATE MAY 7, 2003

AMENDED IN SENATE APRIL 21, 2003

SENATE BILL

No. 118

Introduced by Senator Bowen

February 3, 2003

~~An act to amend Section 303 of the Public Utilities Code, relating to the Public Utilities Commission. An act to add Division 16.7 (commencing with Section 26420) to the Public Resources Code, and to amend Sections 399.15 and 2827 of, and to add Chapter 8 (commencing with Section 2830) to, the Public Utilities Code, relating to solar energy.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 118, as amended, Bowen. ~~Public Utilities Commission: conflict of interest~~ Solar energy generation.

(1) Existing law requires the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Existing law requires the commission, in consultation with the Energy Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004.

This bill would require the State Energy Resources Conservation and Development Commission, not later than July 1, 2005, to award rebates to support the installation of grid-connected solar energy systems, subject to a prescribed declining schedule terminating as of January 1, 2015. The bill would require 5% of the program to be dedicated for defined affordable housing. The bill would also require the commission to develop a zero-interest revolving loan program by June 30, 2005, to finance grid-connected solar energy systems for affordable housing projects. These provisions would be known as the Solar Energy Peak Procurement Act.

The bill would require the Public Utilities Commission to establish a program, known as the Solar Energy Peak Procurement Program, to encourage the use of photovoltaic systems. The bill would require the commission to fund the program by reducing purchases of electricity, spending unallocated funds previously authorized for demand management and interruptible programs, and substituting a photovoltaic incentive program for less cost effective demand management and interruptible programs.

The bill would create the Solar Peak Energy Procurement Fund for expenditure, upon appropriation, for a state program of subsidizing all customer classes for the installed cost grid-connected solar photovoltaic systems in the service territory of investor-owned utilities. The bill would also create the Solar Peak Energy Affordable Housing Revolving Fund for the same purpose, but limited to subsidies for defined affordable housing units. The bill would require the Public Utilities Commission to direct utilities to deposit a portion of electric rate revenues in the Solar Peak Energy Procurement Fund from unallocated funds previously authorized for demand management and interruptible programs and rates that previously paid for those programs and that the commission determines are less cost effective than the photovoltaic incentive system established by the bill.

(2) Existing law requires the Public Utilities Commission to establish a renewables portfolio standard requiring all electrical corporations to procure a minimum quantity of output from renewable energy resources, as specified. Existing law requires the commission to implement prescribed annual procurement targets for electrical corporations use of renewable energy resources.

This bill would specify that electricity generated from net-metered solar energy systems shall be counted towards an electrical corporation's annual renewable energy resource procurement targets.



(3) Existing law requires every electric service provider, as defined, to develop a standard contract or tariff providing for net energy metering, and to make this contract available to eligible customer generators, upon request. Existing law requires every electric service provider, upon request, to make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 0.5% of the electric service provider's aggregate customer peak demand.

This bill would require that every electric service provider, upon request, make available to eligible customer generators contracts for net energy metering on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 3% of the electric service provider's aggregate customer peak demand.

(4) The bill would not become operative unless Assembly Bill 2006 is enacted.

~~Under existing law, no person may be appointed to or hold the office of public utilities commissioner who also is employed by, holds any official relation with, owns stocks or bonds of, or is in any manner pecuniarily interested in, any corporation or person that is subject to regulation by the commission. Existing law requires the commission to adopt an updated Conflict of Interest Code and Statement of Incompatible Activities, by February 28, 1998, in a manner consistent with applicable law.~~

~~This bill would provide that the office of any commissioner who voluntarily acquires a financial interest, as defined, in a corporation or person that the commissioner knows or should know is subject to regulation by the commission, will immediately become vacant, and would require the commission to adopt an updated Conflict of Interest Code and Statement of Incompatible Activities, by February 28, 2004, in a manner consistent with applicable law.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1.—Section 303 of the Public Utilities Code is~~
- 2 *SECTION 1. This act shall be known, and may be cited as the*
- 3 *Solar Energy Peak Procurement Act.*



1 SEC. 2. Division 16.7 (commencing with Section 26421) is
2 added to the Public Resources Code, to read:

3

4 DIVISION 16.7. SOLAR ENERGY SYSTEM REBATES

5

6 26421. (a) "Affordable housing," as used in this division,
7 means a housing project undertaken pursuant to Section 50052.5,
8 50053, or 50199.4 of the Health and Safety Code.

9 (b) "Solar energy system," as used in this division, means a
10 photovoltaic solar collector or other photovoltaic solar energy
11 device that has a primary purpose of providing for the collection,
12 storage, and distribution of solar energy for the generation of
13 electricity. A solar energy system shall have a minimum
14 manufacturer's warranty, as determined by the commission, and
15 shall meet all applicable safety and performance standards
16 established by the National Electrical Code, the institute of
17 Electrical and Electronics Engineers, and accredited testing
18 laboratories such as Underwriters laboratories and, where
19 applicable, rules of the Public Utilities Commission regarding
20 safety and reliability.

21 26422. (a) Not later than July 1, 2005, the commission shall
22 award rebates to support the installation of grid-connected solar
23 energy systems and shall adopt a schedule of declining rebates for
24 this purpose, subject to all of the following:

25 (1) The maximum rebate in year one shall be no greater than
26 three dollars (\$3) per watt, and shall decline each year thereafter
27 as determined by the commission.

28 (2) The rebate shall be zero as of January 1, 2015.

29 (b) The program shall be funded through the Solar Peak Energy
30 Procurement Fund as provided in Section 2832 of the Public
31 Utilities Code.

32 (c) Five percent of funding received for this program shall be
33 dedicated to rebates for reducing the cost of grid-connected solar
34 energy systems for affordable housing.

35 (d) By June 30, 2005 the commission shall also develop a
36 zero-interest revolving loan program to finance grid-connected
37 solar energy systems for affordable housing projects. This
38 program shall be funded from the Solar Peak Energy Affordable
39 Housing Revolving Fund as provided in Section 2832 of the Public
40 Utilities Code.



1 SEC. 2. Section 399.15 of the Public Utilities Code is
2 amended to read:

3 399.15. (a) In order to fulfill unmet long-term resource
4 needs, the commission shall establish a renewables portfolio
5 standard requiring all electrical corporations to procure a
6 minimum quantity of output from eligible renewable energy
7 resources as a specified percentage of total kilowatthours sold to
8 their retail end-use customers each calendar year, if sufficient
9 funds are made available pursuant to paragraph (2), and Sections
10 399.6 and 383.5 to cover the above-market costs of eligible
11 renewables, and subject to all of the following:

12 (1) An electric corporation shall not be required to enter into
13 long-term contracts with eligible renewable energy resources that
14 exceed the market prices established pursuant to subdivision (c) of
15 this section.

16 (2) The Energy Commission shall provide supplemental
17 energy payments from funds in the New Renewable Resources
18 Account in the Renewable Resource Trust Fund to eligible
19 renewable energy resources pursuant to Section 383.5., consistent
20 with this article, for above-market costs. Indirect costs associated
21 with the purchase of eligible renewable energy resources, such as
22 imbalance energy charges, sale of excess energy, decreased
23 generation from existing resources, or transmission upgrades shall
24 not be eligible for supplemental energy payments, but shall be
25 recoverable by an electrical corporation in rates, as authorized by
26 the commission.

27 (3) For purposes of setting annual procurement targets, the
28 commission shall establish an initial baseline for each electrical
29 corporation based on the actual percentage of retail sales procured
30 from eligible renewable energy resources in 2001, and, to the
31 extent applicable, adjusted going forward pursuant to subdivision
32 (a) of Section 399.12.

33 (4) *Electricity generated from net metered solar energy systems*
34 *shall be counted towards an electrical corporation's annual*
35 *renewable energy resource procurement targets.*

36 (b) The commission shall implement annual procurement
37 targets for each electrical corporation as follows:

38 (1) Beginning on January 1, 2003, each electrical corporation
39 shall, pursuant to subdivision (a), increase its total procurement of
40 eligible renewable energy resources by at least an additional 1



1 percent of retail sales per year so that 20 percent of its retail sales
2 are procured from eligible renewable energy resources no later
3 than December 31, 2017. An electrical corporation with 20 percent
4 of retail sales procured from eligible renewable energy resources
5 in any year shall not be required to increase its procurement of such
6 resources in the following year.

7 (2) Only for purposes of establishing these targets, the
8 commission shall include all power sold to retail customers by the
9 Department of Water Resources pursuant to Section 80100 of the
10 Water Code in the calculation of retail sales by an electrical
11 corporation.

12 (3) In the event that an electrical corporation fails to procure
13 sufficient eligible renewable energy resources in a given year to
14 meet any annual target established pursuant to this subdivision, the
15 electrical corporation shall procure additional eligible renewable
16 energy resources in subsequent years to compensate for the
17 shortfall if sufficient funds are made available pursuant to
18 paragraph (2), and Sections 399.6 and 383.5 to cover the
19 above-market costs of eligible renewables.

20 (4) If supplemental energy payments from the Energy
21 Commission, in combination with the market prices approved by
22 the commission, are insufficient to cover the above-market costs
23 of eligible renewable energy resources, the commission shall
24 allow an electrical corporation to limit its annual procurement
25 obligation to the quantity of eligible renewable energy resources
26 that can be procured with available supplemental energy
27 payments.

28 (c) The commission shall establish a methodology to determine
29 the market price of electricity for terms corresponding to the
30 length of contracts with renewable generators, in consideration of
31 the following:

32 (1) The long-term market price of electricity for fixed price
33 contracts, determined pursuant to the electrical corporation's
34 general procurement activities as authorized by the commission.

35 (2) The long-term ownership, operating, and fixed-price fuel
36 costs associated with fixed-price electricity from new generating
37 facilities.

38 (3) The value of different products including baseload,
39 peaking, and as-available output.



1 (d) The establishment of a renewables portfolio standard shall
2 not constitute implementation by the commission of the federal
3 Public Utility Regulatory Policies Act of 1978 (Public Law
4 95-617).

5 (e) The commission shall consult with the Energy Commission
6 in calculating market prices under subdivision (c) and establishing
7 other renewables portfolio standard policies.

8 *SEC. 3. Section 2827 of the Public Utilities Code is amended*
9 *to read:*

10 2827. (a) The Legislature finds and declares that a program
11 to provide net energy metering for eligible customer-generators is
12 one way to encourage substantial private investment in renewable
13 energy resources, stimulate in-state economic growth, reduce
14 demand for electricity during peak consumption periods, help
15 stabilize California’s energy supply infrastructure, enhance the
16 continued diversification of California’s energy resource mix, and
17 reduce interconnection and administrative costs for electricity
18 suppliers.

19 (b) As used in this section, the following definitions apply:

20 (1) “Electric service provider” means an electrical
21 corporation, as defined in Section 218, a local publicly owned
22 electric utility, as defined in Section 9604, or an electrical
23 cooperative, as defined in Section 2776, or any other entity that
24 offers electrical service. This section shall not apply to a local
25 publicly owned electric utility, as defined in Section 9604 of the
26 Public Utilities Code, that serves more than 750,000 customers
27 and that also conveys water to its customers.

28 (2) “Eligible customer-generator” means a residential, small
29 commercial customer as defined in subdivision (h) of Section 331,
30 commercial, industrial, or agricultural customer of an electric
31 service provider, who uses a solar or a wind turbine electrical
32 generating facility, or a hybrid system of both, with a capacity of
33 not more than one megawatt that is located on the customer’s
34 owned, leased, or rented premises, is interconnected and operates
35 in parallel with the electric grid, and is intended primarily to offset
36 part or all of the customer’s own electrical requirements.

37 (3) “Net energy metering” means measuring the difference
38 between the electricity supplied through the electric grid and the
39 electricity generated by an eligible customer-generator and fed
40 back to the electric grid over a 12-month period as described in



1 subdivision (h). Net energy metering shall be accomplished using
2 a single meter capable of registering the flow of electricity in two
3 directions. An additional meter or meters to monitor the flow of
4 electricity in each direction may be installed with the consent of
5 the customer-generator, at the expense of the electric service
6 provider, and the additional metering shall be used only to provide
7 the information necessary to accurately bill or credit the
8 customer-generator pursuant to subdivision (h), or to collect solar
9 or wind electric generating system performance information for
10 research purposes. If the existing electrical meter of an eligible
11 customer-generator is not capable of measuring the flow of
12 electricity in two directions, the customer-generator shall be
13 responsible for all expenses involved in purchasing and installing
14 a meter that is able to measure electricity flow in two directions.
15 If an additional meter or meters are installed, the net energy
16 metering calculation shall yield a result identical to that of a single
17 meter. An eligible customer-generator who already owns an
18 existing solar or wind turbine electrical generating facility, or a
19 hybrid system of both, is eligible to receive net energy metering
20 service in accordance with this section.

21 (4) “Wind energy co-metering” means any wind energy
22 project greater than 50 kilowatts, but not exceeding one megawatt,
23 where the difference between the electricity supplied through the
24 electric grid and the electricity generated by an eligible
25 customer-generator and fed back to the electric grid over a
26 12-month period is as described in subdivision (h). Wind energy
27 co-metering shall be accomplished pursuant to Section 2827.8.

28 (5) “Co-energy metering” means a program that is the same in
29 all other respects as a net energy metering program, except that the
30 local publicly owned electric utility, as defined in Section 9604,
31 has elected to apply a generation-to-generation energy and
32 time-of-use credit formula as provided in subdivision (i).

33 (6) “Ratemaking authority” means, for an electrical
34 corporation as defined in Section 218, or an electrical cooperative
35 as defined in Section 2776, the commission, and for a local
36 publicly owned electric utility as defined in Section 9604, the local
37 elected body responsible for regulating the rates of the local
38 publicly owned utility.

39 (c) (1) Every electric service provider shall develop a standard
40 contract or tariff providing for net energy metering, and shall make



1 this contract available to eligible customer-generators, upon
2 request, on a first-come-first-served basis until the time that the
3 total rated generating capacity used by eligible
4 customer-generators exceeds ~~one-half of~~ 13 percent of the electric
5 service provider's aggregate customer peak demand.

6 (2) On an annual basis, beginning in 2003, every electric service
7 provider shall make available to the ratemaking authority
8 information on the total rated generating capacity used by eligible
9 customer-generators that are customers of that provider in the
10 provider's service area. For those electric service providers who
11 are operating pursuant to Section 394, they shall make available
12 to the ratemaking authority the information required by this
13 paragraph for each eligible customer-generator that is their
14 customer for each service area of an electric corporation, local
15 publicly owned electric utility, or electrical cooperative, in which
16 the customer has net energy metering. The ratemaking authority
17 shall develop a process for making the information required by this
18 paragraph available to energy service providers, and for using that
19 information to determine when, pursuant to paragraph (3), a
20 service provider is not obligated to provide net energy metering to
21 additional customer-generators in its service area.

22 (3) Notwithstanding paragraph (1), an electric service provider
23 is not obligated to provide net energy metering to additional
24 customer-generators in its service area when the combined total
25 peak demand of all customer-generators served by all the electric
26 service providers in that service area furnishing net energy
27 metering to eligible customer-generators exceeds ~~one-half of~~ 13
28 percent of the aggregate customer peak demand of those electric
29 service providers.

30 (d) Electric service providers shall make all necessary forms
31 and contracts for net metering service available for download from
32 the Internet.

33 (e) (1) Every electric service provider shall ensure that
34 requests for establishment of net energy metering are processed in
35 a time period not exceeding that for similarly situated customers
36 requesting new electric service, but not to exceed 30 working days
37 from the date the electric service provider receives a completed
38 application form for net metering service, including a signed
39 interconnection agreement from an eligible customer-generator
40 and the electric inspection clearance from the governmental



1 authority having jurisdiction. If an electric service provider is
2 unable to process the request within the allowable timeframe, the
3 electric service provider shall notify both the customer-generator
4 and the ratemaking authority of the reason for its inability to
5 process the request and the expected completion date.

6 (2) Electric service providers shall ensure that requests for an
7 interconnection agreement from an eligible customer-generator
8 are processed in a time period not to exceed 30 working days from
9 the date the electric service provider receives a completed
10 application form from the eligible customer-generator for an
11 interconnection agreement. If an electric service provider is
12 unable to process the request within the allowable timeframe, the
13 electric service provider shall notify the customer-generator and
14 the ratemaking authority of the reason for its inability to process
15 the request and the expected completion date.

16 (f) (1) If a customer participates in direct transactions pursuant
17 to paragraph (1) of subdivision (b) of Section 365 with an electric
18 supplier that does not provide distribution service for the direct
19 transactions, the service provider that provides distribution service
20 for an eligible customer-generator is not obligated to provide net
21 energy metering to the customer.

22 (2) If a customer participates in direct transactions pursuant to
23 paragraph (1) of subdivision (b) of Section 365 with an electric
24 supplier, and the customer is an eligible customer-generator, the
25 service provider that provides distribution service for the direct
26 transactions may recover from the customer's electric service
27 provider the incremental costs of metering and billing service
28 related to net energy metering in an amount set by the ratemaking
29 authority.

30 (g) Each net energy metering contract or tariff shall be
31 identical, with respect to rate structure, all retail rate components,
32 and any monthly charges, to the contract or tariff to which the same
33 customer would be assigned if the customer did not use an eligible
34 solar or wind electrical generating facility, except that eligible
35 customer-generators shall not be assessed standby charges on the
36 electrical generating capacity or the kilowatthour production of an
37 eligible solar or wind electrical generating facility. The charges for
38 all retail rate components for eligible customer-generators shall be
39 based exclusively on the customer-generator's net kilowatthour
40 consumption over a 12-month period, without regard to the



1 customer-generator’s choice of electric service provider. Any new
2 or additional demand charge, standby charge, customer charge,
3 minimum monthly charge, interconnection charge, or any other
4 charge that would increase an eligible customer-generator’s costs
5 beyond those of other customers who are not customer-generators
6 in the rate class to which the eligible customer-generator would
7 otherwise be assigned if the customer did not own, lease, rent, or
8 otherwise operate an eligible solar or wind electrical generating
9 facility are contrary to the intent of this section, and shall not form
10 a part of net energy metering contracts or tariffs.

11 (h) For eligible residential and small commercial
12 customer-generators, the net energy metering calculation shall be
13 made by measuring the difference between the electricity supplied
14 to the eligible customer-generator and the electricity generated by
15 the eligible customer-generator and fed back to the electric grid
16 over a 12-month period. The following rules shall apply to the
17 annualized net metering calculation:

18 (1) The eligible residential or small commercial
19 customer-generator shall, at the end of each 12-month period
20 following the date of final interconnection of the eligible
21 customer-generator’s system with an electric service provider, and
22 at each anniversary date thereafter, be billed for electricity used
23 during that period. The electric service provider shall determine if
24 the eligible residential or small commercial customer-generator
25 was a net consumer or a net producer of electricity during that
26 period.

27 (2) At the end of each 12-month period, where the electricity
28 supplied during the period by the electric service provider exceeds
29 the electricity generated by the eligible residential or small
30 commercial customer-generator during that same period, the
31 eligible residential or small commercial customer-generator is a
32 net electricity consumer and the electric service provider shall be
33 owed compensation for the eligible customer-generator’s net
34 kilowatthour consumption over that same period. The
35 compensation owed for the eligible residential or small
36 commercial customer-generator’s consumption shall be
37 calculated as follows:

38 (A) For all eligible customer-generators taking service under
39 tariffs employing “baseline” and “over baseline” rates, any net
40 monthly consumption of electricity shall be calculated according



1 to the terms of the contract or tariff to which the same customer
2 would be assigned to or be eligible for if the customer was not an
3 eligible customer-generator. If those same customer-generators
4 are net generators over a billing period, the net kilowatthours
5 generated shall be valued at the same price per kilowatthour as the
6 electric service provider would charge for the baseline quantity of
7 electricity during that billing period, and if the number of
8 kilowatthours generated exceeds the baseline quantity, the excess
9 shall be valued at the same price per kilowatthour as the electric
10 service provider would charge for electricity over the baseline
11 quantity during that billing period.

12 (B) For all eligible customer-generators taking service under
13 tariffs employing “time of use” rates, any net monthly
14 consumption of electricity shall be calculated according to the
15 terms of the contract or tariff to which the same customer would
16 be assigned to or be eligible for if the customer was not an eligible
17 customer-generator. When those same customer-generators are
18 net generators during any discrete time of use period, the net
19 kilowatthours produced shall be valued at the same price per
20 kilowatthour as the electric service provider would charge for
21 retail kilowatthour sales during that same time of use period. If the
22 eligible customer-generator’s time of use electrical meter is unable
23 to measure the flow of electricity in two directions, paragraph (3)
24 of subdivision (b) shall apply.

25 (C) For all residential and small commercial
26 customer-generators and for each billing period, the net balance of
27 moneys owed to the electric service provider for net consumption
28 of electricity or credits owed to the customer-generator for net
29 generation of electricity shall be carried forward as a monetary
30 value until the end of each 12-month period. For all commercial,
31 industrial, and agricultural customer-generators the net balance of
32 moneys owed shall be paid in accordance with the electric service
33 provider’s normal billing cycle, except that if the commercial,
34 industrial, or agricultural customer-generator is a net electricity
35 producer over a normal billing cycle, any excess kilowatthours
36 generated during the billing cycle shall be carried over to the
37 following billing period as a monetary value, calculated according
38 to the procedures set forth in this section, and appear as a credit on
39 the customer-generator’s account, until the end of the annual
40 period when paragraph (3) shall apply.



1 (3) At the end of each 12-month period, where the electricity
2 generated by the eligible customer-generator during the 12-month
3 period exceeds the electricity supplied by the electric service
4 provider during that same period, the eligible customer-generator
5 is a net electricity producer and the electric service provider shall
6 retain any excess kilowatthours generated during the prior
7 12-month period. The eligible customer-generator shall not be
8 owed any compensation for those excess kilowatthours unless the
9 electric service provider enters into a purchase agreement with the
10 eligible customer-generator for those excess kilowatthours.

11 (4) The electric service provider shall provide every eligible
12 residential or small commercial customer-generator with net
13 electricity consumption information with each regular bill. That
14 information shall include the current monetary balance owed the
15 electric service provider for net electricity consumed since the last
16 12-month period ended. Notwithstanding this subdivision, an
17 electric service provider shall permit that customer to pay monthly
18 for net energy consumed.

19 (5) If an eligible residential or small commercial
20 customer-generator terminates the customer relationship with the
21 electric service provider, the electric service provider shall
22 reconcile the eligible customer-generator's consumption and
23 production of electricity during any part of a 12-month period
24 following the last reconciliation, according to the requirements set
25 forth in this subdivision, except that those requirements shall apply
26 only to the months since the most recent 12-month bill.

27 (6) If an electric service provider providing net metering to a
28 residential or small commercial customer-generator ceases
29 providing that electrical service to that customer during any
30 12-month period, and the customer-generator enters into a new net
31 metering contract or tariff with a new electric service provider, the
32 12-month period, with respect to that new electric service
33 provider, shall commence on the date on which the new electric
34 service provider first supplies electric service to the
35 customer-generator.

36 (i) Notwithstanding any other provisions of this section, the
37 following provisions shall apply to an eligible customer-generator
38 with a capacity of more than 10 kilowatts, but not exceeding one
39 megawatt, that receives electrical service from a local publicly
40 owned electric utility, as defined in Section 9604, that has elected



1 to utilize a co-energy metering program unless the electric service
2 provider chooses to provide service for eligible
3 customer-generators with a capacity of more than 10 kilowatts in
4 accordance with subdivisions (g) and (h):

5 (1) The eligible customer-generator shall be required to utilize
6 a meter, or multiple meters, capable of separately measuring
7 electricity flow in both directions. All meters shall provide
8 “time-of-use” measurements of electricity flow, and the customer
9 shall take service on a time-of-use rate schedule. If the existing
10 meter of the eligible customer-generator is not a time-of-use meter
11 or is not capable of measuring total flow of energy in both
12 directions, the eligible customer-generator shall be responsible for
13 all expenses involved in purchasing and installing a meter that is
14 both time-of-use and able to measure total electricity flow in both
15 directions. This subdivision shall not restrict the ability of an
16 eligible customer-generator to utilize any economic incentives
17 provided by a government agency or the electric service provider
18 to reduce its costs for purchasing and installing a time-of-use
19 meter.

20 (2) The consumption of electricity from the electric service
21 provider shall result in a cost to the eligible customer-generator to
22 be priced in accordance with the standard rate charged to the
23 eligible customer-generator in accordance with the rate structure
24 to which the customer would be assigned if the customer did not
25 use an eligible solar or wind electrical generating facility. The
26 generation of electricity provided to the electric service provider
27 shall result in a credit to the eligible customer-generator and shall
28 be priced in accordance with the generation component,
29 established under the applicable structure to which the customer
30 would be assigned if the customer did not use an eligible solar or
31 wind electrical generating facility.

32 (3) All costs and credits shall be shown on the eligible
33 customer-generator’s bill for each billing period. In any months in
34 which the eligible customer-generator has been a net consumer of
35 electricity calculated on the basis of value determined pursuant to
36 paragraph (2), the customer-generator shall owe to the electric
37 service provider the balance of electricity costs and credits during
38 that billing period. In any billing period in which the eligible
39 customer-generator has been a net producer of electricity
40 calculated on the basis of value determined pursuant to paragraph



1 (2), the electric service provider shall owe to the eligible
2 customer-generator the balance of electricity costs and credits
3 during that billing period. Any net credit to the eligible
4 customer-generator of electricity costs may be carried forward to
5 subsequent billing periods, provided that an electric service
6 provider may choose to carry the credit over as a kilowatt hour
7 credit consistent with the provisions of any applicable tariff,
8 including any differences attributable to the time of generation of
9 the electricity. At the end of each 12-month period, the electric
10 service provider may reduce any net credit due to the eligible
11 customer-generator to zero.

12 (j) A solar or wind turbine electrical generating system, or a
13 hybrid system of both, used by an eligible customer-generator
14 shall meet all applicable safety and performance standards
15 established by the National Electrical Code, the Institute of
16 Electrical and Electronics Engineers, and accredited testing
17 laboratories such as Underwriters Laboratories and, where
18 applicable, rules of the Public Utilities Commission regarding
19 safety and reliability. A customer-generator whose solar or wind
20 turbine electrical generating system, or a hybrid system of both,
21 meets those standards and rules shall not be required to install
22 additional controls, perform or pay for additional tests, or purchase
23 additional liability insurance.

24 (k) If the commission determines that there are cost or revenue
25 obligations for an electric corporation, as defined in Section 218,
26 that may not be recovered from customer-generators acting
27 pursuant to this section, those obligations shall remain within the
28 customer class from which any shortfall occurred and may not be
29 shifted to any other customer class. Net-metering and co-metering
30 customers shall not be exempt from the public benefits charge. In
31 its report to the Legislature, the commission shall examine
32 different methods to ensure that the public benefits charge remains
33 a nonbypassable charge.

34 (l) A net metering customer shall reimburse the Department of
35 Water Resources for all charges that would otherwise be imposed
36 on the customer by the commission to recover bond-related costs
37 pursuant to an agreement between the commission and the
38 Department of Water Resources pursuant to Section 80110 of the
39 Water Code, as well as the costs of the department equal to the
40 share of the department's estimated net unavoidable power



1 purchase contract costs attributable to the customer. The
2 commission shall incorporate the determination into an existing
3 proceeding before the commission, and shall ensure that the
4 charges are nonbypassable. Until the commission has made a
5 determination regarding the nonbypassable charges, net metering
6 shall continue under the same rules, procedures, terms, and
7 conditions as were applicable on December 31, 2002.

8 (m) In implementing the requirements of subdivisions (k) and
9 (l), a customer-generator shall not be required to replace its
10 existing meter except as set forth in paragraph (3) of subdivision
11 (b), nor shall the electric service provider require additional
12 measurement of usage beyond that which is necessary for
13 customers in the same rate class as the eligible customer-generator.

14 (n) On or before January 1, 2005, the commission shall submit
15 a report to the Governor and the Legislature that assesses the
16 economic and environmental costs and benefits of net metering to
17 customer-generators, ratepayers, and utilities, including any
18 beneficial and adverse effects on public benefit programs and
19 special purpose surcharges. The report shall be prepared by an
20 independent party under contract with the commission.

21 (o) It is the intent of the Legislature that the Treasurer
22 incorporate net energy metering and co-energy metering projects
23 undertaken pursuant to this section as sustainable building
24 methods or distributive energy technologies for purposes of
25 evaluating low-income housing projects.

26 *SEC. 4. Chapter 8 (commencing with Section 2830) is added*
27 *to the Public Utilities Code, to read:*

28

29 *CHAPTER 8. SOLAR ENERGY PEAK PROCUREMENT PROGRAM*

30

31 *2830. (a) The Legislature finds and declares that:*

32 *(1) Electricity created from solar energy using photovoltaic*
33 *systems provides reliable electricity during peak demand periods.*

34 *(2) Electricity generated by photovoltaic systems is a reliable*
35 *substitute for the purchase of expensive, conventionally-generated*
36 *electricity during peak demand periods.*

37 *(3) Electricity generated by photovoltaic systems is a substitute*
38 *for demand management activities which lower peak demand.*

39 *(4) Electricity generated by photovoltaic systems is a substitute*
40 *for interruptible energy programs which lower peak demand.*



1 (5) *The commission requires utilities to procure peak demand*
2 *period electricity supplies and allocates those costs to all*
3 *customers.*

4 (6) *The commission has established demand management*
5 *programs and interruptible energy programs whose costs are*
6 *allocated to all customers.*

7 (7) *It is the intent of the Legislature that this program remain*
8 *in effect for 10 years and that the subsidy level per kilowatt of*
9 *capacity be reduced to zero at the end of those 10 years.*

10 (b) *It is the intent of the Legislature that this program be funded*
11 *at a level of one hundred million dollars (\$100,000,000) annually*
12 *and that this program not result in fee or rate increases.*

13 (c) *It is the intent of the Legislature that the customers of each*
14 *utility benefit in proportion to the amount paid for the program by*
15 *those customers.*

16 (d) *It is the intent of the Legislature that existing photovoltaic*
17 *programs be harmonized with the program established by this*
18 *legislation.*

19 2831. *The commission shall establish the Solar Energy Peak*
20 *Procurement Program, as provided in this chapter, to encourage*
21 *the use of solar photovoltaic systems and shall fund that program*
22 *by reducing the purchases of electricity during peak demand*
23 *periods, spending unallocated funds previously authorized for*
24 *demand management and interruptible programs, and*
25 *substituting a photovoltaic incentive program for less*
26 *cost-effective demand management and interruptible programs.*

27 2832. (a) *The Solar Peak Energy Procurement Fund is*
28 *hereby created in the State Treasury. Moneys in the fund may be*
29 *expended, upon appropriation by the Legislature, for the state's*
30 *administration of the program, to be used to encourage the*
31 *deployment of grid-connected solar photovoltaic systems in the*
32 *service territory of investor-owned utilities by subsidizing the*
33 *installed cost of those systems for all customer classes.*

34 (b) *The Solar Peak Energy Affordable Housing Revolving*
35 *Fund is hereby created in the State Treasury. Moneys in the fund*
36 *may be expended, upon appropriation by the Legislature, for the*
37 *state's administration of the program established by this chapter,*
38 *to be used to encourage the deployment of grid-connected solar*
39 *photovoltaic systems in the service territory of investor-owned*
40 *utilities by subsidizing the installed cost of those systems*



1 exclusively for affordable housing units, as defined in subdivision
2 (a) of Section 26420 of the Public Resources Code.

3 2833. The commission shall direct utilities to regularly
4 deposit a portion of the moneys derived from electric rates into the
5 Solar Peak Energy Procurement Fund. The commission shall
6 determine the amount of electric rates to be deposited. That
7 amount shall come from unallocated funds previously authorized
8 for demand management and interruptible programs and rates
9 which previously paid for demand management and interruptible
10 programs which the commission determines to be less cost
11 effective than the photovoltaic incentive program established by
12 Division 16.7 (commencing with Section 26420) of the Public
13 Resources Code.

14 SEC. 5. This act shall not be operative unless Assembly Bill
15 2006 of the 2003–04 Session of the Legislature is enacted.

16 amended to read:

17 ~~303. (a) A public utilities commissioner may not hold an~~
18 ~~official relation to, nor have a financial interest in, a person or~~
19 ~~corporation subject to regulation by the commission. If any~~
20 ~~commissioner voluntarily acquires a financial interest in a~~
21 ~~corporation or person that the commissioner knows or should~~
22 ~~know is subject to regulation by the commission, his or her office~~
23 ~~shall immediately become vacant. If any commissioner acquires~~
24 ~~a financial interest in a corporation or person subject to regulation~~
25 ~~by the commission other than voluntarily, his or her office shall~~
26 ~~become vacant unless within a reasonable time he or she divests~~
27 ~~himself or herself of the interest.~~

28 ~~(b) The commission shall adopt an updated Conflict of Interest~~
29 ~~Code and Statement of Incompatible Activities, by February 28,~~
30 ~~2004, in a manner consistent with applicable law.~~

31 ~~(c) For purposes of this section, “financial interest” includes~~
32 ~~those interests enumerated in subdivisions (a) through (e),~~
33 ~~inclusive, of Section 87103 of the Government Code.~~

