

AMENDED IN SENATE MARCH 29, 2011

SENATE BILL

No. 585

Introduced by Senator Kehoe

February 17, 2011

An act to ~~amend Section 2851 of~~ *add Section 2851.1 to* the Public Utilities Code, relating to solar energy, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 585, as amended, Kehoe. Energy: solar energy systems: funding.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Decisions of the PUC adopted the California Solar Initiative. Existing law requires the PUC, in implementing the California Solar Initiative, to ensure that the total cost over the duration of the program does not exceed \$3,350,800,000, and imposes monetary limits on programs funded by charges collected from *customers of the state's* 3 largest electrical corporations and on programs adopted, implemented, and financed by charges collected by local publicly owned electrical utilities.

~~This bill would impose the total amount as a limit on the amount of moneys collected through charges on electric utility customers, rather than the total cost, and would specifically impose the electrical corporation monetary limit on the amount of moneys collected through charges on customers~~ *require the commission, to fund certain program shortfalls, to first allocate interest accumulated from customer collections and, for the remainder of the shortfall, to increase collections from customers of the state's 3 largest electrical corporations for specified programs.*

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. 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 2851.1 is added to the Public Utilities
2 Code, to read:

3 2851.1. Notwithstanding the total cost limitation in subdivision
4 (e) of Section 2851, and the component cost limitation in paragraph
5 (1) of subdivision (e) of Section 2851, the commission, to fund
6 program shortfalls identified for incentive step levels 8, 9, and 10
7 for nonresidential solar photovoltaic systems, shall first allocate
8 interest accumulated from customer collections and, for the
9 remainder of the shortfall, increase collections from customers of
10 San Diego Gas and Electric Company, Southern California Edison
11 Company, and Pacific Gas and Electric Company for programs
12 described in paragraph (1) of subdivision (e) of Section 2851.

13 SECTION 1. ~~Section 2851 of the Public Utilities Code is~~
14 ~~amended to read:~~

15 2851. (a) ~~In implementing the California Solar Initiative, the~~
16 ~~commission shall do all of the following:~~

17 ~~(1) The commission shall authorize the award of monetary~~
18 ~~incentives for up to the first megawatt of alternating current~~
19 ~~generated by solar energy systems that meet the eligibility criteria~~
20 ~~established by the State Energy Resources Conservation and~~
21 ~~Development Commission pursuant to Chapter 8.8 (commencing~~
22 ~~with Section 25780) of Division 15 of the Public Resources Code.~~
23 ~~The commission shall determine the eligibility of a solar energy~~
24 ~~system, as defined in Section 25781 of the Public Resources Code,~~
25 ~~to receive monetary incentives until the time the State Energy~~
26 ~~Resources Conservation and Development Commission establishes~~
27 ~~eligibility criteria pursuant to Section 25782. Monetary incentives~~
28 ~~shall not be awarded for solar energy systems that do not meet the~~
29 ~~eligibility criteria. The incentive level authorized by the~~
30 ~~commission shall decline each year following implementation of~~
31 ~~the California Solar Initiative, at a rate of no less than an average~~
32 ~~of 7 percent per year, and shall be zero as of December 31, 2016.~~
33 ~~The commission shall adopt and publish a schedule of declining~~

1 incentive levels no less than 30 days in advance of the first decline
2 in incentive levels. The commission may develop incentives based
3 upon the output of electricity from the system, provided those
4 incentives are consistent with the declining incentive levels of this
5 paragraph and the incentives apply to only the first megawatt of
6 electricity generated by the system.

7 (2) ~~The commission shall adopt a performance-based incentive~~
8 ~~program so that by January 1, 2008, 100 percent of incentives for~~
9 ~~solar energy systems of 100 kilowatts or greater and at least 50~~
10 ~~percent of incentives for solar energy systems of 30 kilowatts or~~
11 ~~greater are earned based on the actual electrical output of the solar~~
12 ~~energy systems. The commission shall encourage, and may require,~~
13 ~~performance-based incentives for solar energy systems of less than~~
14 ~~30 kilowatts. Performance-based incentives shall decline at a rate~~
15 ~~of no less than an average of 7 percent per year. In developing the~~
16 ~~performance-based incentives, the commission may:~~

17 (A) ~~Apply performance-based incentives only to customer~~
18 ~~classes designated by the commission.~~

19 (B) ~~Design the performance-based incentives so that customers~~
20 ~~may receive a higher level of incentives than under incentives~~
21 ~~based on installed electrical capacity.~~

22 (C) ~~Develop financing options that help offset the installation~~
23 ~~costs of the solar energy system, provided that this financing is~~
24 ~~ultimately repaid in full by the consumer or through the application~~
25 ~~of the performance-based rebates.~~

26 (3) ~~By January 1, 2008, the commission, in consultation with~~
27 ~~the State Energy Resources Conservation and Development~~
28 ~~Commission, shall require reasonable and cost-effective energy~~
29 ~~efficiency improvements in existing buildings as a condition of~~
30 ~~providing incentives for eligible solar energy systems, with~~
31 ~~appropriate exemptions or limitations to accommodate the limited~~
32 ~~financial resources of low-income residential housing.~~

33 (4) ~~Notwithstanding subdivision (g) of Section 2827, the~~
34 ~~commission may develop a time-variant tariff that creates the~~
35 ~~maximum incentive for ratepayers to install solar energy systems~~
36 ~~so that the system's peak electricity production coincides with~~
37 ~~California's peak electricity demands and that assures that~~
38 ~~ratepayers receive due value for their contribution to the purchase~~
39 ~~of solar energy systems and customers with solar energy systems~~
40 ~~continue to have an incentive to use electricity efficiently. In~~

1 ~~developing the time-variant tariff, the commission may exclude~~
2 ~~customers participating in the tariff from the rate cap for residential~~
3 ~~customers for existing baseline quantities or usage by those~~
4 ~~customers of up to 130 percent of existing baseline quantities, as~~
5 ~~required by Section 80110 of the Water Code. Nothing in this~~
6 ~~paragraph authorizes the commission to require time-variant pricing~~
7 ~~for ratepayers without a solar energy system.~~

8 ~~(b) Notwithstanding subdivision (a), in implementing the~~
9 ~~California Solar Initiative, the commission may authorize the award~~
10 ~~of monetary incentives for solar thermal and solar water heating~~
11 ~~devices, in a total amount up to one hundred million eight hundred~~
12 ~~thousand dollars (\$100,800,000).~~

13 ~~(c) (1) In implementing the California Solar Initiative, the~~
14 ~~commission shall not allocate more than fifty million dollars~~
15 ~~(\$50,000,000) to research, development, and demonstration that~~
16 ~~explores solar technologies and other distributed generation~~
17 ~~technologies that employ or could employ solar energy for~~
18 ~~generation or storage of electricity or to offset natural gas usage.~~
19 ~~Any program that allocates additional moneys to research,~~
20 ~~development, and demonstration shall be developed in~~
21 ~~collaboration with the Energy Commission to ensure there is no~~
22 ~~duplication of efforts, and adopted by the commission through a~~
23 ~~rulemaking or other appropriate public proceeding. Any grant~~
24 ~~awarded by the commission for research, development, and~~
25 ~~demonstration shall be approved by the full commission at a public~~
26 ~~meeting. This subdivision does not prohibit the commission from~~
27 ~~continuing to allocate moneys to research, development, and~~
28 ~~demonstration pursuant to the self-generation incentive program~~
29 ~~for distributed generation resources originally established pursuant~~
30 ~~to Chapter 329 of the Statutes of 2000, as modified pursuant to~~
31 ~~Section 379.6.~~

32 ~~(2) The Legislature finds and declares that a program that~~
33 ~~provides a stable source of monetary incentives for eligible solar~~
34 ~~energy systems will encourage private investment sufficient to~~
35 ~~make solar technologies cost effective.~~

36 ~~(3) On or before June 30, 2009, and by June 30th of every year~~
37 ~~thereafter, the commission shall submit to the Legislature an~~
38 ~~assessment of the success of the California Solar Initiative program.~~
39 ~~That assessment shall include the number of residential and~~
40 ~~commercial sites that have installed solar thermal devices for which~~

1 an award was made pursuant to subdivision (b) and the dollar value
2 of the award, the number of residential and commercial sites that
3 have installed solar energy systems, the electrical generating
4 capacity of the installed solar energy systems, the cost of the
5 program, total electrical system benefits, including the effect on
6 electrical service rates, environmental benefits, how the program
7 affects the operation and reliability of the electrical grid, how the
8 program has affected peak demand for electricity, the progress
9 made toward reaching the goals of the program, whether the
10 program is on schedule to meet the program goals, and
11 recommendations for improving the program to meet its goals. If
12 the commission allocates additional moneys to research,
13 development, and demonstration that explores solar technologies
14 and other distributed generation technologies pursuant to paragraph
15 (1), the commission shall include in the assessment submitted to
16 the Legislature, a description of the program, a summary of each
17 award made or project funded pursuant to the program, including
18 the intended purposes to be achieved by the particular award or
19 project, and the results of each award or project.

20 (d) (1) The commission shall not impose any charge upon the
21 consumption of natural gas, or upon natural gas ratepayers, to fund
22 the California Solar Initiative.

23 (2) Notwithstanding any other provision of law, any charge
24 imposed to fund the program adopted and implemented pursuant
25 to this section shall be imposed upon all customers not participating
26 in the California Alternate Rates for Energy (CARE) or family
27 electric rate assistance (FERA) programs as provided in paragraph
28 (2), including those residential customers subject to the rate cap
29 required by Section 80110 of the Water Code for existing baseline
30 quantities or usage up to 130 percent of existing baseline quantities
31 of electricity.

32 (3) The costs of the program adopted and implemented pursuant
33 to this section may not be recovered from customers participating
34 in the California Alternate Rates for Energy or CARE program
35 established pursuant to Section 739.1, except to the extent that
36 program costs are recovered out of the nonbypassable system
37 benefits charge authorized pursuant to Section 399.8.

38 (e) In implementing the California Solar Initiative, the
39 commission shall ensure that the total amount of money collected
40 through charges on electric utility customers, over the duration of

1 the program, does not exceed three billion three hundred fifty
2 million eight hundred thousand dollars (\$3,350,800,000). The
3 financial components of the California Solar Initiative shall consist
4 of the following:

5 (1) Programs under the supervision of the commission funded
6 by charges collected from customers of San Diego Gas and Electric
7 Company, Southern California Edison Company, and Pacific Gas
8 and Electric Company. The total amount of moneys collected
9 through charges on customers of San Diego Gas and Electric
10 Company, Southern California Edison Company, and Pacific Gas
11 and Electric Company over the duration of these programs shall
12 not exceed two billion one hundred sixty-six million eight hundred
13 thousand dollars (\$2,166,800,000) and includes moneys collected
14 directly into a tracking account for support of the California Solar
15 Initiative and moneys collected into other accounts that are used
16 to further the goals of the California Solar Initiative.

17 (2) Programs adopted, implemented, and financed in the amount
18 of seven hundred eighty-four million dollars (\$784,000,000), by
19 charges collected by local publicly owned electric utilities pursuant
20 to Section 387.5. This subdivision does not give the commission
21 power and jurisdiction with respect to a local publicly owned
22 electric utility or its customers.

23 (3) Programs for the installation of solar energy systems on new
24 construction, administered by the State Energy Resources
25 Conservation and Development Commission pursuant to Chapter
26 8.6 (commencing with Section 25740) of Division 15 of the Public
27 Resources Code, and funded by nonbypassable charges in the
28 amount of four hundred million dollars (\$400,000,000), collected
29 from customers of San Diego Gas and Electric Company, Southern
30 California Edison Company, and Pacific Gas and Electric Company
31 pursuant to Article 15 (commencing with Section 399).

32 SEC. 2. This act is an urgency statute necessary for the
33 immediate preservation of the public peace, health, or safety within
34 the meaning of Article IV of the Constitution and shall go into
35 immediate effect. The facts constituting the necessity are:

36 In order to make additional funding available as soon as possible
37 for the nonresidential incentives provided under the California

- 1 Solar Initiative, which needs the funds before 2012 to remain
- 2 solvent, it is necessary for this act to take effect immediately.

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