

AMENDED IN SENATE SEPTEMBER 6, 2013  
AMENDED IN SENATE SEPTEMBER 3, 2013  
AMENDED IN SENATE AUGUST 21, 2013  
AMENDED IN SENATE AUGUST 12, 2013  
AMENDED IN SENATE JULY 8, 2013  
AMENDED IN ASSEMBLY APRIL 23, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 327**

---

---

**Introduced by Assembly Member Perea**  
**(Coauthors: Assembly Members Bonilla, Buchanan, Daly, Eggman,**  
**Garcia, Gray, and Pan)**  
(Coauthor: Senator Correa)

February 13, 2013

---

---

An act to amend Sections 382, 399.15, 739.1, 2827, and 2827.10 of, to amend and renumber Section 2827.1 of, to add Sections 769 and 2827.1 to, and to repeal and add Sections 739.9 and 745 of, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 327, as amended, Perea. Electricity: natural gas: rates: net energy metering: California Renewables Portfolio Standard Program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to

designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. The CARE program provides lower rates to low-income customers that are financed through a separate rate component, which is required to be a nonbypassable element of the local distribution service and collected on the basis of usage. Eligibility for the CARE program is for those electric and gas customers with annual household incomes that are no greater than 200% of the federal poverty guideline levels.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as determined by a specified needs assessment. The bill would require that

this needs assessment be performed not less often than every 3rd year. The bill would revise the CARE program eligibility requirements to provide that for one-person households, program eligibility would be based on 2-person household guideline levels. The bill would require the commission, when establishing the CARE discounts for an electrical corporation with 100,000 or more customer accounts in California, to ensure that the average effective CARE discount be no less than 30% and no more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers and that the entire discount be provided in the form of a reduction in the overall bill for the eligible CARE customer. The bill would require that increases to rates and charges in rate design proceedings, including any reduction in the CARE discount, be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 1, 2014. The bill would authorize the commission to approve new, or expand existing, fixed charges, as defined, for an electrical corporation for the purpose of collecting a reasonable portion of the fixed costs of providing service to residential customers. The bill would require the commission to ensure that any new or expanded fixed charges reasonably reflect an appropriate portion of the different costs of serving small and large customers, do not unreasonably impair incentives for conservation and energy efficiency, and do not overburden low-income and moderate-income customers. The bill would impose a \$10 limit per residential customer account per month for customers not enrolled in the CARE program, would impose a \$5 per month limit per residential customer account per month for customers enrolled in the CARE program, and would, beginning January 1, 2016, authorize the commission to adjust this maximum allowable fixed charge by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year. The bill would authorize the commission to consider whether minimum bills are an appropriate substitute for any fixed charges.

Existing law prohibits the commission from requiring or permitting an electrical corporation to do any of the following: (1) employ mandatory or default time-variant pricing, as defined, with or without bill protection, as defined, for residential customers prior to January 1, 2013, (2) employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014, or (3) employ mandatory or default real-time pricing, without bill protection, for residential customers prior to January 1, 2020. Existing

law authorizes the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. Existing law requires the commission to only approve an electrical corporation's use of default time-variant pricing for residential customers, beginning January 1, 2014, if those residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges, as specified, as a result of the exercise of that option. Existing law exempts certain customers from being subject to default time-variant pricing.

This bill would delete these provisions and instead prohibit the commission from requiring or permitting an electrical corporation from employing mandatory or default time-variant pricing, as defined, for any residential customer, except that beginning January 1, 2018, the commission may require or authorize an electrical corporation to employ default time-of-use pricing to residential customers, subject to specified limitations and conditions. The bill would permit the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The bill would provide that a residential customer would have the option to not receive service pursuant to time-variant pricing and not incur any additional charge as a result of the exercise of that option. Unless the commission has authorized an electrical corporation to employ default time-of-use pricing, the bill would require the commission to require each electrical corporation to offer default rates to residential customers with at least 2 usage tiers and would require that the first tier include electricity usage of no less than the baseline quantity established by the commission. The bill would authorize the commission to modify the baseline seasonal definitions and applicable percentage of average consumption for one or more climate zones.

Existing law requires every electric utility, defined to include an electrical corporation, local publicly owned electric utility, or an electrical cooperative, to develop a standard contract or tariff providing for net energy metering, as defined, and to make this contract or tariff available to eligible customer generators, as defined, upon request for generation by a renewable electrical generation facility, as defined. An electric utility, upon request, is required to make available to eligible customer generators contracts or tariffs 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 5% of the electric utility's aggregate customer peak demand. Existing law authorizes a local publicly owned electric utility to elect to instead offer co-energy metering, which uses a generation-to-generation energy and time-of-use credit formula, as specified.

This bill would require a large electrical corporation, defined as an electrical corporation with more than 100,000 service connections in California, to provide net energy metering to additional eligible customer-generators in its service area through July 1, 2017, or until the corporation reaches its net energy metering program limit, as specified. The bill would require the commission to develop a standard contract or tariff for eligible customer-generators with a renewable electrical generation facility that is a customer of a large electrical corporation no later than December 31, 2015. In developing the standard contract or tariff for large electrical corporations, the commission would be required to take specified actions. The bill would require the large electrical corporation to offer the standard contract or tariff to an eligible customer-generator beginning July 1, 2017, or prior to that date if ordered to do so by the commission because it has reached the net energy metering program limit established for the corporation. The bill would provide that there shall be no limitation on the number of new eligible customer-generators entitled to receive service pursuant to the new standard contract or tariff developed by the commission for a large electrical corporation.

Existing law provides that a fuel cell electrical generation facility is not eligible for the tariff unless it commences operation before January 1, 2015.

This bill would instead provide that ~~a customer with a fuel cell that has local air quality benefits is eligible for the tariff for a period of time to be determined by the commission.~~ *electrical generation facility is not eligible for the tariff unless it commences operation before January 1, 2017.*

The Public Utilities Act requires each electrical corporation, as a part of its distribution planning process, to consider specified nonutility owned distributed energy resources as an alternative to investments in its distribution system to ensure reliable electric services at the lowest possible costs.

This bill would require an electrical corporation, by July 1, 2015, to submit to the commission a distribution resources plan proposal, as specified, to identify optimal locations for the deployment of preferred

resources, as defined. The bill would require the commission to review each distribution resources plan proposal submitted by an electrical corporation and approve, or modify and approve, a distribution resources plan for the corporation. The bill would require that any electrical corporation spending on distribution infrastructure necessary to accomplish the distribution resources plan be proposed and considered as part of the next general rate case for the corporation and would authorize the commission to approve this proposed spending if it concludes that ratepayers would realize net benefits and the associated costs are just and reasonable.

The California Renewables Portfolio Standard Program requires the Public Utilities Commission to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-customers during specified compliance periods. The program additionally requires each local publicly owned electric utility, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources to achieve the targets established by the program. Existing law prohibits the commission from requiring the procurement of eligible renewable energy resources in excess of the specified quantities.

This bill would authorize the commission to require a retail seller to procure eligible renewable energy resources in excess of the specified quantities.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because portions of this bill are within the act and require action by the commission to implement their requirements, a violation of these provisions would impose a state-mandated local program by creating a new crime or expanding an existing crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

1 SECTION 1. Section 382 of the Public Utilities Code is  
2 amended to read:

3 382. (a) Programs provided to low-income electricity  
4 customers, including, but not limited to, targeted energy-efficiency  
5 services and the California Alternate Rates for Energy program  
6 shall be funded at not less than 1996 authorized levels based on  
7 an assessment of customer need.

8 (b) In order to meet legitimate needs of electric and gas  
9 customers who are unable to pay their electric and gas bills and  
10 who satisfy eligibility criteria for assistance, recognizing that  
11 electricity is a basic necessity, and that all residents of the state  
12 should be able to afford essential electricity and gas supplies, the  
13 commission shall ensure that low-income ratepayers are not  
14 jeopardized or overburdened by monthly energy expenditures.  
15 Energy expenditure may be reduced through the establishment of  
16 different rates for low-income ratepayers, different levels of rate  
17 assistance, and energy efficiency programs.

18 (c) Nothing in this section shall be construed to prohibit electric  
19 and gas providers from offering any special rate or program for  
20 low-income ratepayers that is not specifically required in this  
21 section.

22 (d) Beginning in 2002, an assessment of the needs of  
23 low-income electricity and gas ratepayers shall be conducted  
24 periodically by the commission with the assistance of the  
25 Low-Income Oversight Board. A periodic assessment shall be  
26 made not less often than every third year. The assessment shall  
27 evaluate low-income program implementation and the effectiveness  
28 of weatherization services and energy efficiency measures in  
29 low-income households. The assessment shall consider whether  
30 existing programs adequately address low-income electricity and  
31 gas customers' energy expenditures, hardship, language needs,  
32 and economic burdens.

33 (e) The commission shall, by not later than December 31, 2020,  
34 ensure that all eligible low-income electricity and gas customers  
35 are given the opportunity to participate in low-income energy  
36 efficiency programs, including customers occupying apartments  
37 or similar multiunit residential structures. The commission and  
38 electrical corporations and gas corporations shall make all

1 reasonable efforts to coordinate ratepayer-funded programs with  
2 other energy conservation and efficiency programs and to obtain  
3 additional federal funding to support actions undertaken pursuant  
4 to this subdivision.

5 These programs shall be designed to provide long-term  
6 reductions in energy consumption at the dwelling unit based on  
7 an audit or assessment of the dwelling unit, and may include  
8 improved insulation, energy efficient appliances, measures that  
9 utilize solar energy, and other improvements to the physical  
10 structure.

11 (f) The commission shall allocate funds necessary to meet the  
12 low-income objectives in this section.

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

15 399.15. (a) In order to fulfill unmet long-term resource needs,  
16 the commission shall establish a renewables portfolio standard  
17 requiring all retail sellers to procure a minimum quantity of  
18 electricity products from eligible renewable energy resources as  
19 a specified percentage of total kilowatthours sold to their retail  
20 end-use customers each compliance period to achieve the targets  
21 established under this article. For any retail seller procuring at least  
22 14 percent of retail sales from eligible renewable energy resources  
23 in 2010, the deficits associated with any previous renewables  
24 portfolio standard shall not be added to any procurement  
25 requirement pursuant to this article.

26 (b) The commission shall implement renewables portfolio  
27 standard procurement requirements only as follows:

28 (1) Each retail seller shall procure a minimum quantity of  
29 eligible renewable energy resources for each of the following  
30 compliance periods:

31 (A) January 1, 2011, to December 31, 2013, inclusive.

32 (B) January 1, 2014, to December 31, 2016, inclusive.

33 (C) January 1, 2017, to December 31, 2020, inclusive.

34 (2) (A) No later than January 1, 2012, the commission shall  
35 establish the quantity of electricity products from eligible  
36 renewable energy resources to be procured by the retail seller for  
37 each compliance period. These quantities shall be established in  
38 the same manner for all retail sellers and result in the same  
39 percentages used to establish compliance period quantities for all  
40 retail sellers.



1 (B) In establishing quantities for the compliance period from  
2 January 1, 2011, to December 31, 2013, inclusive, the commission  
3 shall require procurement for each retail seller equal to an average  
4 of 20 percent of retail sales. For the following compliance periods,  
5 the quantities shall reflect reasonable progress in each of the  
6 intervening years sufficient to ensure that the procurement of  
7 electricity products from eligible renewable energy resources  
8 achieves 25 percent of retail sales by December 31, 2016, and 33  
9 percent of retail sales by December 31, 2020. The commission  
10 shall require retail sellers to procure not less than 33 percent of  
11 retail sales of electricity products from eligible renewable energy  
12 resources in all subsequent years.

13 (C) Retail sellers shall be obligated to procure no less than the  
14 quantities associated with all intervening years by the end of each  
15 compliance period. Retail sellers shall not be required to  
16 demonstrate a specific quantity of procurement for any individual  
17 intervening year.

18 (3) The commission may require the procurement of eligible  
19 renewable energy resources in excess of the quantities specified  
20 in paragraph (2).

21 (4) Only for purposes of establishing the renewables portfolio  
22 standard procurement requirements of paragraph (1) and  
23 determining the quantities pursuant to paragraph (2), the  
24 commission shall include all electricity sold to retail customers by  
25 the Department of Water Resources pursuant to Division 27  
26 (commencing with Section 80000) of the Water Code in the  
27 calculation of retail sales by an electrical corporation.

28 (5) The commission shall waive enforcement of this section if  
29 it finds that the retail seller has demonstrated any of the following  
30 conditions are beyond the control of the retail seller and will  
31 prevent compliance:

32 (A) There is inadequate transmission capacity to allow for  
33 sufficient electricity to be delivered from proposed eligible  
34 renewable energy resource projects using the current operational  
35 protocols of the Independent System Operator. In making its  
36 findings relative to the existence of this condition with respect to  
37 a retail seller that owns transmission lines, the commission shall  
38 consider both of the following:

39 (i) Whether the retail seller has undertaken, in a timely fashion,  
40 reasonable measures under its control and consistent with its

1 obligations under local, state, and federal laws and regulations, to  
2 develop and construct new transmission lines or upgrades to  
3 existing lines intended to transmit electricity generated by eligible  
4 renewable energy resources. In determining the reasonableness of  
5 a retail seller’s actions, the commission shall consider the retail  
6 seller’s expectations for full-cost recovery for these transmission  
7 lines and upgrades.

8 (ii) Whether the retail seller has taken all reasonable operational  
9 measures to maximize cost-effective deliveries of electricity from  
10 eligible renewable energy resources in advance of transmission  
11 availability.

12 (B) Permitting, interconnection, or other circumstances that  
13 delay procured eligible renewable energy resource projects, or  
14 there is an insufficient supply of eligible renewable energy  
15 resources available to the retail seller. In making a finding that this  
16 condition prevents timely compliance, the commission shall  
17 consider whether the retail seller has done all of the following:

18 (i) Prudently managed portfolio risks, including relying on a  
19 sufficient number of viable projects.

20 (ii) Sought to develop one of the following: its own eligible  
21 renewable energy resources, transmission to interconnect to eligible  
22 renewable energy resources, or energy storage used to integrate  
23 eligible renewable energy resources. This clause shall not require  
24 an electrical corporation to pursue development of eligible  
25 renewable energy resources pursuant to Section 399.14.

26 (iii) Procured an appropriate minimum margin of procurement  
27 above the minimum procurement level necessary to comply with  
28 the renewables portfolio standard to compensate for foreseeable  
29 delays or insufficient supply.

30 (iv) Taken reasonable measures, under the control of the retail  
31 seller, to procure cost-effective distributed generation and allowable  
32 unbundled renewable energy credits.

33 (C) Unanticipated curtailment of eligible renewable energy  
34 resources necessary to address the needs of a balancing authority.

35 (6) If the commission waives the compliance requirements of  
36 this section, the commission shall establish additional reporting  
37 requirements on the retail seller to demonstrate that all reasonable  
38 actions under the control of the retail seller are taken in each of  
39 the intervening years sufficient to satisfy future procurement  
40 requirements.

1 (7) The commission shall not waive enforcement pursuant to  
2 this section, unless the retail seller demonstrates that it has taken  
3 all reasonable actions under its control, as set forth in paragraph  
4 (5), to achieve full compliance.

5 (8) If a retail seller fails to procure sufficient eligible renewable  
6 energy resources to comply with a procurement requirement  
7 pursuant to paragraphs (1) and (2) and fails to obtain an order from  
8 the commission waiving enforcement pursuant to paragraph (5),  
9 the commission shall exercise its authority pursuant to Section  
10 2113.

11 (9) Deficits associated with the compliance period shall not be  
12 added to a future compliance period.

13 (c) The commission shall establish a limitation for each electrical  
14 corporation on the procurement expenditures for all eligible  
15 renewable energy resources used to comply with the renewables  
16 portfolio standard. In establishing this limitation, the commission  
17 shall rely on the following:

18 (1) The most recent renewable energy procurement plan.

19 (2) Procurement expenditures that approximate the expected  
20 cost of building, owning, and operating eligible renewable energy  
21 resources.

22 (3) The potential that some planned resource additions may be  
23 delayed or canceled.

24 (d) In developing the limitation pursuant to subdivision (c), the  
25 commission shall ensure all of the following:

26 (1) The limitation is set at a level that prevents disproportionate  
27 rate impacts.

28 (2) The costs of all procurement credited toward achieving the  
29 renewables portfolio standard are counted towards the limitation.

30 (3) Procurement expenditures do not include any indirect  
31 expenses, including imbalance energy charges, sale of excess  
32 energy, decreased generation from existing resources, transmission  
33 upgrades, or the costs associated with relicensing any utility-owned  
34 hydroelectric facilities.

35 (e) (1) No later than January 1, 2016, the commission shall  
36 prepare a report to the Legislature assessing whether each electrical  
37 corporation can achieve a 33-percent renewables portfolio standard  
38 by December 31, 2020, and maintain that level thereafter, within  
39 the adopted cost limitations. If the commission determines that it  
40 is necessary to change the limitation for procurement costs incurred

1 by any electrical corporation after that date, it may propose a  
2 revised cap consistent with the criteria in subdivisions (c) and (d).  
3 The proposed modifications shall take effect no earlier than January  
4 1, 2017.

5 (2) Notwithstanding Section 10231.5 of the Government Code,  
6 the requirement for submitting a report imposed under paragraph  
7 (1) is inoperative on January 1, 2021.

8 (3) A report to be submitted pursuant to paragraph (1) shall be  
9 submitted in compliance with Section 9795 of the Government  
10 Code.

11 (f) If the cost limitation for an electrical corporation is  
12 insufficient to support the projected costs of meeting the  
13 renewables portfolio standard procurement requirements, the  
14 electrical corporation may refrain from entering into new contracts  
15 or constructing facilities beyond the quantity that can be procured  
16 within the limitation, unless eligible renewable energy resources  
17 can be procured without exceeding a de minimis increase in rates,  
18 consistent with the long-term procurement plan established for the  
19 electrical corporation pursuant to Section 454.5.

20 (g) (1) The commission shall monitor the status of the cost  
21 limitation for each electrical corporation in order to ensure  
22 compliance with this article.

23 (2) If the commission determines that an electrical corporation  
24 may exceed its cost limitation prior to achieving the renewables  
25 portfolio standard procurement requirements, the commission shall  
26 do both of the following within 60 days of making that  
27 determination:

28 (A) Investigate and identify the reasons why the electrical  
29 corporation may exceed its annual cost limitation.

30 (B) Notify the appropriate policy and fiscal committees of the  
31 Legislature that the electrical corporation may exceed its cost  
32 limitation, and include the reasons why the electrical corporation  
33 may exceed its cost limitation.

34 (h) The establishment of a renewables portfolio standard shall  
35 not constitute implementation by the commission of the federal  
36 Public Utility Regulatory Policies Act of 1978 (Public Law  
37 95-617).

38 SEC. 3. Section 739.1 of the Public Utilities Code is amended  
39 to read:

1 739.1. (a) The commission shall continue a program of  
2 assistance to low-income electric and gas customers with annual  
3 household incomes that are no greater than 200 percent of the  
4 federal poverty guideline levels, the cost of which shall not be  
5 borne solely by any single class of customer. For one-person  
6 households, program eligibility shall be based on two-person  
7 household guideline levels. The program shall be referred to as  
8 the California Alternate Rates for Energy or CARE program. The  
9 commission shall ensure that the level of discount for low-income  
10 electric and gas customers correctly reflects the level of need.

11 (b) The commission shall establish rates for CARE program  
12 participants, subject to both of the following:

13 (1) That the commission ensure that low-income ratepayers are  
14 not jeopardized or overburdened by monthly energy expenditures,  
15 pursuant to subdivision (b) of Section 382.

16 (2) That the level of the discount for low-income electricity and  
17 gas ratepayers correctly reflects the level of need as determined  
18 by the needs assessment conducted pursuant to subdivision (d) of  
19 Section 382.

20 (c) In establishing CARE discounts for an electrical corporation  
21 with 100,000 or more customer accounts in California, the  
22 commission shall ensure all of the following:

23 (1) The average effective CARE discount shall not be less than  
24 30 percent or more than 35 percent of the revenues that would  
25 have been produced for the same billed usage by non-CARE  
26 customers. The average effective discount determined by the  
27 commission shall reflect any charges not paid by CARE customers,  
28 including payments for the California Solar Initiative, payments  
29 for the self-generation incentive program made pursuant to Section  
30 379.6, payment of the separate rate component to fund the CARE  
31 program made pursuant to subdivision (a) of Section 381, payments  
32 made to the Department of Water Resources pursuant to Division  
33 27 (commencing with Section 80000) of the Water Code, and any  
34 discount in a fixed charge. The average effective CARE discount  
35 shall be calculated as a weighted average of the CARE discounts  
36 provided to individual customers.

37 (2) If an electrical corporation provides an average effective  
38 CARE discount in excess of the maximum percentage specified  
39 in paragraph (1), the electrical corporation shall not reduce, on an  
40 annual basis, the average effective CARE discount by more than

1 a reasonable percentage decrease below the discount in effect on  
2 January 1, 2013, or that the electrical corporation had been  
3 authorized to place in effect by that date.

4 (3) The entire discount shall be provided in the form of a  
5 reduction in the overall bill for the eligible CARE customer.

6 (d) The commission shall work with electrical and gas  
7 corporations to establish penetration goals. The commission shall  
8 authorize recovery of all administrative costs associated with the  
9 implementation of the CARE program that the commission  
10 determines to be reasonable, through a balancing account  
11 mechanism. Administrative costs shall include, but are not limited  
12 to, outreach, marketing, regulatory compliance, certification and  
13 verification, billing, measurement and evaluation, and capital  
14 improvements and upgrades to communications and processing  
15 equipment.

16 (e) The commission shall examine methods to improve CARE  
17 enrollment and participation. This examination shall include, but  
18 need not be limited to, comparing information from CARE and  
19 the Universal Lifeline Telephone Service (ULTS) to determine  
20 the most effective means of utilizing that information to increase  
21 CARE enrollment, automatic enrollment of ULTS customers who  
22 are eligible for the CARE program, customer privacy issues, and  
23 alternative mechanisms for outreach to potential enrollees. The  
24 commission shall ensure that a customer consents prior to  
25 enrollment. The commission shall consult with interested parties,  
26 including ULTS providers, to develop the best methods of  
27 informing ULTS customers about other available low-income  
28 programs, as well as the best mechanism for telephone providers  
29 to recover reasonable costs incurred pursuant to this section.

30 (f) (1) The commission shall improve the CARE application  
31 process by cooperating with other entities and representatives of  
32 California government, including the California Health and Human  
33 Services Agency and the Secretary of California Health and Human  
34 Services, to ensure that all gas and electric customers eligible for  
35 public assistance programs in California that reside within the  
36 service territory of an electrical corporation or gas corporation,  
37 are enrolled in the CARE program. The commission may determine  
38 that gas and electric customers are categorically eligible for CARE  
39 assistance if they are enrolled in other public assistance programs  
40 with substantially the same income eligibility requirements as the

1 CARE program. To the extent practicable, the commission shall  
2 develop a CARE application process using the existing ULTS  
3 application process as a model. The commission shall work with  
4 electrical and gas corporations and the Low-Income Oversight  
5 Board established in Section 382.1 to meet the low-income  
6 objectives in this section.

7 (2) The commission shall ensure that an electrical corporation  
8 or gas corporation with a commission-approved program to provide  
9 discounts based upon economic need in addition to the CARE  
10 program, including a Family Electric Rate Assistance program,  
11 utilize a single application form, to enable an applicant to  
12 alternatively apply for any assistance program for which the  
13 applicant may be eligible. It is the intent of the Legislature to allow  
14 applicants under one program, that may not be eligible under that  
15 program, but that may be eligible under an alternative assistance  
16 program based upon economic need, to complete a single  
17 application for any commission-approved assistance program  
18 offered by the public utility.

19 (g) It is the intent of the Legislature that the commission ensure  
20 CARE program participants receive affordable electric and gas  
21 service that does not impose an unfair economic burden on those  
22 participants.

23 (h) The commission's program of assistance to low-income  
24 electric and gas customers shall, as soon as practicable, include  
25 nonprofit group living facilities specified by the commission, if  
26 the commission finds that the residents in these facilities  
27 substantially meet the commission's low-income eligibility  
28 requirements and there is a feasible process for certifying that the  
29 assistance shall be used for the direct benefit, such as improved  
30 quality of care or improved food service, of the low-income  
31 residents in the facilities. The commission shall authorize utilities  
32 to offer discounts to eligible facilities licensed or permitted by  
33 appropriate state or local agencies, and to facilities, including  
34 women's shelters, hospices, and homeless shelters, that may not  
35 have a license or permit but provide other proof satisfactory to the  
36 utility that they are eligible to participate in the program.

37 (i) (1) In addition to existing assessments of eligibility, an  
38 electrical corporation may require proof of income eligibility for  
39 those CARE program participants whose electricity usage, in any  
40 monthly or other billing period, exceeds 400 percent of baseline

1 usage. The authority of an electrical corporation to require proof  
2 of income eligibility is not limited by the means by which the  
3 CARE program participant enrolled in the program, including if  
4 the participant was automatically enrolled in the CARE program  
5 because of participation in a governmental assistance program. If  
6 a CARE program participant's electricity usage exceeds 400  
7 percent of baseline usage, the electrical corporation may require  
8 the CARE program participant to participate in the Energy Savings  
9 Assistance Program (ESAP), which includes a residential energy  
10 assessment, in order to provide the CARE program participant  
11 with information and assistance in reducing his or her energy usage.  
12 Continued participation in the CARE program may be conditioned  
13 upon the CARE program participant agreeing to participate in  
14 ESAP within 45 days of notice being given by the electrical  
15 corporation pursuant to this paragraph. The electrical corporation  
16 may require the CARE program participant to notify the utility of  
17 whether the residence is rented, and if so, a means by which to  
18 contact the landlord, and the electrical corporation may share any  
19 evaluation and recommendation relative to the residential structure  
20 that is made as part of an energy assessment, with the landlord of  
21 the CARE program participant. Requirements imposed pursuant  
22 to this paragraph shall be consistent with procedures adopted by  
23 the commission.

24 (2) If a CARE program participant's electricity usage exceeds  
25 600 percent of baseline usage, the electrical corporation shall  
26 require the CARE program participant to participate in ESAP,  
27 which includes a residential energy assessment, in order to provide  
28 the CARE program participant with information and assistance in  
29 reducing his or her energy usage. Continued participation in the  
30 CARE program shall be conditioned upon the CARE program  
31 participant agreeing to participate in ESAP within 45 days of a  
32 notice made by the electrical corporation pursuant to this paragraph.  
33 The electrical corporation may require the CARE program  
34 participant to notify the utility of whether the residence is rented,  
35 and if so, a means by which to contact the landlord, and the  
36 electrical corporation may share any evaluation and  
37 recommendation relative to the residential structure that is made  
38 as part of an energy assessment, with the landlord of the CARE  
39 program participant. Following the completion of the energy  
40 assessment, if the CARE program participant's electricity usage



1 continues to exceed 600 percent of baseline usage, the electrical  
2 corporation may remove the CARE program participant from the  
3 program if the removal is consistent with procedures adopted by  
4 the commission. Nothing in this paragraph shall prevent a CARE  
5 program participant with electricity usage exceeding 600 percent  
6 of baseline usage from participating in an appeals process with the  
7 electrical corporation to determine whether the participant’s usage  
8 levels are legitimate.

9 (3) A CARE program participant in a rental residence shall not  
10 be removed from the program in situations where the landlord is  
11 nonresponsive when contacted by the electrical corporation or  
12 does not provide for ESAP participation.

13 SEC. 4. Section 739.9 of the Public Utilities Code is repealed.

14 SEC. 5. Section 739.9 is added to the Public Utilities Code, to  
15 read:

16 739.9. (a) “Fixed charge” means any fixed customer charge,  
17 basic service fee, demand differentiated basic service fee, demand  
18 charge, or other charge not based upon the volume of electricity  
19 consumed.

20 (b) Increases to electrical rates and charges in rate design  
21 proceedings, including any reduction in the California Alternate  
22 Rates for Energy (CARE) discount, shall be reasonable and subject  
23 to a reasonable phase-in schedule relative to the rates and charges  
24 in effect prior to January 1, 2014.

25 (c) Except as provided in subdivision (c) of Section 745, the  
26 commission shall require each electrical corporation to offer default  
27 rates to residential customers with at least two usage tiers. The  
28 first tier shall include electricity usage of no less than the baseline  
29 quantity established pursuant to paragraph (1) of subdivision (d)  
30 of Section 739.

31 (d) Consistent with the requirements of Section 739, the  
32 commission may modify the seasonal definitions and applicable  
33 percentage of average consumption for one or more climatic zones.

34 (e) The commission may adopt new, or expand existing, fixed  
35 charges for the purpose of collecting a reasonable portion of the  
36 fixed costs of providing electric service to residential customers.  
37 The commission shall ensure that any approved charges do all of  
38 the following:

39 (1) Reasonably reflect an appropriate portion of the different  
40 costs of serving small and large customers.

1 (2) Not unreasonably impair incentives for conservation and  
 2 energy efficiency.

3 (3) Not overburden low-income customers.

4 (f) For the purposes of this section and Section 739.1, the  
 5 commission may, beginning January 1, 2015, authorize fixed  
 6 charges that do not exceed ten dollars (\$10) per residential  
 7 customer account per month for customers not enrolled in the  
 8 CARE program and five dollars (\$5) per residential customer  
 9 account per month for customers enrolled in the CARE program.  
 10 Beginning January 1, 2016, the maximum allowable fixed charge  
 11 may be adjusted by no more than the annual percentage increase  
 12 in the Consumer Price Index ~~or~~ *for* the prior calendar year. This  
 13 subdivision applies to any default rate schedule, at least one  
 14 optional tiered rate schedule, and at least one optional time variant  
 15 rate schedule.

16 (g) This section does not require the commission to approve  
 17 any new or expanded fixed charge.

18 (h) The commission may consider whether minimum bills are  
 19 appropriate as a substitute for any fixed charges.

20 SEC. 6. Section 745 of the Public Utilities Code is repealed.

21 SEC. 7. Section 745 is added to the Public Utilities Code, to  
 22 read:

23 745. (a) For purposes of this section, “time-variant pricing”  
 24 includes time-of-use rates, critical peak pricing, and real-time  
 25 pricing, but does not include programs that provide customers with  
 26 discounts from standard tariff rates as an incentive to reduce  
 27 consumption at certain times, including peak time rebates.

28 (b) The commission may authorize an electrical corporation to  
 29 offer residential customers the option of receiving service pursuant  
 30 to time-variant pricing and to participate in other demand response  
 31 programs. The commission shall not establish a mandatory or  
 32 default time-variant pricing tariff for any residential customer  
 33 except as authorized in subdivision (c).

34 (c) Beginning January 1, 2018, the commission may require or  
 35 authorize an electrical corporation to employ default time-of-use  
 36 pricing for residential customers subject to all of the following:

37 (1) Residential customers receiving a medical baseline allowance  
 38 pursuant to subdivision (c) of Section 739, customers requesting  
 39 third-party notification pursuant to subdivision (c) of Section 779.1,  
 40 customers who the commission has ordered cannot be disconnected

1 from service without an in-person visit from a utility representative  
2 (Decision 12-03-054 (March 22, 2012), Decision on Phase II  
3 Issues: Adoption of Practices to Reduce the Number of Gas and  
4 Electric Service Disconnections, Order 2 (b) at page 55), and other  
5 customers designated by the commission in its discretion shall not  
6 be subject to default time-of-use pricing without their affirmative  
7 consent.

8 (2) The commission shall ensure that any time-of-use rate  
9 schedule does not cause unreasonable hardship for senior citizens  
10 or economically vulnerable customers in hot climate zones.

11 (3) The commission shall strive for time-of-use rate schedules  
12 that utilize time periods that are appropriate for at least the  
13 following five years.

14 (4) A residential customer shall not be subject to a default  
15 time-of-use rate schedule unless that residential customer has been  
16 provided with not less than one year of interval usage data from  
17 an advanced meter and associated customer education and,  
18 following the passage of this period, is provided with no less than  
19 one year of bill protection during which the total amount paid by  
20 the residential customer for electric service shall not exceed the  
21 amount that would have been payable by the residential customer  
22 under that customer's previous rate schedule.

23 (5) Each electrical corporation shall provide each residential  
24 customer, not less than once per year, using a reasonable delivery  
25 method of the customer's choosing, a summary of available tariff  
26 options with a calculation of expected annual bill impacts under  
27 each available tariff. The summary shall not be provided to  
28 customers who notify the utility that they choose not to receive  
29 the summary. The reasonable costs of providing this service shall  
30 be recovered in rates.

31 (6) Residential customers have the option to not receive service  
32 pursuant to a time-of-use rate schedule and incur no additional  
33 charges as a result of the exercise of that option. Prohibited charges  
34 include, but are not limited to, administrative fees for switching  
35 away from time-of-use pricing, hedging premiums that exceed any  
36 actual costs of hedging, and more than a proportional share of any  
37 discounts or other incentives paid to customers to increase  
38 participation in time-of-use pricing. This prohibition on additional  
39 charges is not intended to ensure that a customer will necessarily

1 experience a lower total bill as a result of the exercise of the option  
2 to not receive service pursuant to a time-of-use rate schedule.

3 SEC. 8. Section 769 is added to the Public Utilities Code, to  
4 read:

5 769. (a) For purposes of this section, ~~“preferred~~ “*distributed*  
6 resources” means distributed renewable generation resources,  
7 energy efficiency, energy storage, electric vehicles, and demand  
8 response technologies.

9 (b) Not later than July 1, 2015, each electrical corporation shall  
10 submit to the commission a distribution resources plan proposal  
11 to identify optimal locations for the deployment of ~~preferred~~  
12 *distributed* resources. Each proposal shall do all of the following:

13 (1) Evaluate locational benefits and costs of ~~preferred~~ *distributed*  
14 resources located on the distribution system. This evaluation shall  
15 be based on reductions or increases in local generation capacity  
16 needs, avoided or increased investments in distribution  
17 infrastructure, safety benefits, reliability benefits, and any other  
18 savings the ~~preferred~~ *distributed* resources provides to the electric  
19 grid or costs to ratepayers of the electrical corporation.

20 (2) Propose or identify standard tariffs, contracts, or other  
21 mechanisms for the deployment of cost-effective ~~preferred~~  
22 *distributed* resources that satisfy distribution planning objectives.

23 (3) Propose cost-effective methods of effectively coordinating  
24 existing commission-approved programs, incentives, and tariffs  
25 to maximize the locational benefits and minimize the incremental  
26 costs of ~~preferred~~ *distributed* resources.

27 (4) Identify any additional utility spending necessary to integrate  
28 cost-effective ~~preferred~~ *distributed* resources into distribution  
29 planning consistent with the goal of yielding net benefits to  
30 ratepayers.

31 (5) *Identify barriers to the deployment of distributed resources,*  
32 *including, but not limited to, safety standards related to technology*  
33 *or operation of the distribution circuit in a manner that ensures*  
34 *reliable service.*

35 (c) The commission shall review each distribution resources  
36 plan proposal submitted by an electrical corporation and approve,  
37 or modify and approve, a distribution resources plan for the  
38 corporation. The commission may modify any plan as appropriate  
39 to minimize overall system costs and maximize ratepayer benefit  
40 from investments in ~~preferred~~ *distributed* resources.

1 (d) Any electrical corporation spending on distribution  
2 infrastructure necessary to accomplish the distribution resources  
3 plan shall be proposed and considered as part of the next general  
4 rate case for the corporation. The commission may approve  
5 proposed spending if it concludes that ratepayers would realize  
6 net benefits and the associated costs are just and reasonable. The  
7 commission may also adopt criteria, benchmarks, and  
8 accountability mechanisms to evaluate the success of any  
9 investment authorized pursuant to a distribution resources plan.

10 SEC. 9. Section 2827 of the Public Utilities Code is amended  
11 to read:

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

23 (b) As used in this section, the following terms have the  
24 following meanings:

25 (1) "Co-energy metering" means a program that is the same in  
26 all other respects as a net energy metering program, except that  
27 the local publicly owned electric utility has elected to apply a  
28 generation-to-generation energy and time-of-use credit formula  
29 as provided in subdivision (i).

30 (2) "Electrical cooperative" means an electrical cooperative as  
31 defined in Section 2776.

32 (3) "Electric utility" means an electrical corporation, a local  
33 publicly owned electric utility, or an electrical cooperative, or any  
34 other entity, except an electric service provider, that offers electrical  
35 service. This section shall not apply to a local publicly owned  
36 electric utility that serves more than 750,000 customers and that  
37 also conveys water to its customers.

38 (4) "Eligible customer-generator" means a residential customer,  
39 small commercial customer as defined in subdivision (h) of Section  
40 331, or commercial, industrial, or agricultural customer of an

1 electric utility, who uses a renewable electrical generation facility,  
2 or a combination of those facilities, with a total capacity of not  
3 more than one megawatt, that is located on the customer's owned,  
4 leased, or rented premises, and is interconnected and operates in  
5 parallel with the electrical grid, and is intended primarily to offset  
6 part or all of the customer's own electrical requirements.

7 (5) "Large electrical corporation" means an electrical  
8 corporation with more than 100,000 service connections in  
9 California.

10 (6) "Net energy metering" means measuring the difference  
11 between the electricity supplied through the electrical grid and the  
12 electricity generated by an eligible customer-generator and fed  
13 back to the electrical grid over a 12-month period as described in  
14 subdivisions (c) and (h).

15 (7) "Net surplus customer-generator" means an eligible  
16 customer-generator that generates more electricity during a  
17 12-month period than is supplied by the electric utility to the  
18 eligible customer-generator during the same 12-month period.

19 (8) "Net surplus electricity" means all electricity generated by  
20 an eligible customer-generator measured in kilowatthours over a  
21 12-month period that exceeds the amount of electricity consumed  
22 by that eligible customer-generator.

23 (9) "Net surplus electricity compensation" means a per  
24 kilowatthour rate offered by the electric utility to the net surplus  
25 customer-generator for net surplus electricity that is set by the  
26 ratemaking authority pursuant to subdivision (h).

27 (10) "Ratemaking authority" means, for an electrical  
28 corporation, the commission, for an electrical cooperative, its  
29 ratesetting body selected by its shareholders or members, and for  
30 a local publicly owned electric utility, the local elected body  
31 responsible for setting the rates of the local publicly owned utility.

32 (11) "Renewable electrical generation facility" means a facility  
33 that generates electricity from a renewable source listed in  
34 paragraph (1) of subdivision (a) of Section 25741 of the Public  
35 Resources Code. A small hydroelectric generation facility is not  
36 an eligible renewable electrical generation facility if it will cause  
37 an adverse impact on instream beneficial uses or cause a change  
38 in the volume or timing of streamflow.

39 (12) "Wind energy co-metering" means any wind energy project  
40 greater than 50 kilowatts, but not exceeding one megawatt, where

1 the difference between the electricity supplied through the electrical  
2 grid and the electricity generated by an eligible customer-generator  
3 and fed back to the electrical grid over a 12-month period is as  
4 described in subdivision (h). Wind energy co-metering shall be  
5 accomplished pursuant to Section 2827.8.

6 (c) (1) Except as provided in paragraph (4) and in Section  
7 2827.1, every electric utility shall develop a standard contract or  
8 tariff providing for net energy metering, and shall make this  
9 standard contract or tariff available to eligible customer-generators,  
10 upon request, on a first-come-first-served basis until the time that  
11 the total rated generating capacity used by eligible  
12 customer-generators exceeds 5 percent of the electric utility's  
13 aggregate customer peak demand. Net energy metering shall be  
14 accomplished using a single meter capable of registering the flow  
15 of electricity in two directions. An additional meter or meters to  
16 monitor the flow of electricity in each direction may be installed  
17 with the consent of the eligible customer-generator, at the expense  
18 of the electric utility, and the additional metering shall be used  
19 only to provide the information necessary to accurately bill or  
20 credit the eligible customer-generator pursuant to subdivision (h),  
21 or to collect generating system performance information for  
22 research purposes relative to a renewable electrical generation  
23 facility. If the existing electrical meter of an eligible  
24 customer-generator is not capable of measuring the flow of  
25 electricity in two directions, the eligible customer-generator shall  
26 be responsible for all expenses involved in purchasing and  
27 installing a meter that is able to measure electricity flow in two  
28 directions. If an additional meter or meters are installed, the net  
29 energy metering calculation shall yield a result identical to that of  
30 a single meter. An eligible customer-generator that is receiving  
31 service other than through the standard contract or tariff may elect  
32 to receive service through the standard contract or tariff until the  
33 electric utility reaches the generation limit set forth in this  
34 paragraph. Once the generation limit is reached, only eligible  
35 customer-generators that had previously elected to receive service  
36 pursuant to the standard contract or tariff have a right to continue  
37 to receive service pursuant to the standard contract or tariff.  
38 Eligibility for net energy metering does not limit an eligible  
39 customer-generator's eligibility for any other rebate, incentive, or  
40 credit provided by the electric utility, or pursuant to any

1 governmental program, including rebates and incentives provided  
2 pursuant to the California Solar Initiative.

3 (2) An electrical corporation shall include a provision in the net  
4 energy metering contract or tariff requiring that any customer with  
5 an existing electrical generating facility and meter who enters into  
6 a new net energy metering contract shall provide an inspection  
7 report to the electrical corporation, unless the electrical generating  
8 facility and meter have been installed or inspected within the  
9 previous three years. The inspection report shall be prepared by a  
10 California licensed contractor who is not the owner or operator of  
11 the facility and meter. A California licensed electrician shall  
12 perform the inspection of the electrical portion of the facility and  
13 meter.

14 (3) (A) On an annual basis, every electric utility shall make  
15 available to the ratemaking authority information on the total rated  
16 generating capacity used by eligible customer-generators that are  
17 customers of that provider in the provider's service area and the  
18 net surplus electricity purchased by the electric utility pursuant to  
19 this section.

20 (B) An electric service provider operating pursuant to Section  
21 394 shall make available to the ratemaking authority the  
22 information required by this paragraph for each eligible  
23 customer-generator that is their customer for each service area of  
24 an electrical corporation, local publicly owned electrical utility,  
25 or electrical cooperative, in which the eligible customer-generator  
26 has net energy metering.

27 (C) The ratemaking authority shall develop a process for making  
28 the information required by this paragraph available to electric  
29 utilities, and for using that information to determine when, pursuant  
30 to paragraphs (1) and (4), an electric utility is not obligated to  
31 provide net energy metering to additional eligible  
32 customer-generators in its service area.

33 (4) (A) An electric utility that is not a large electrical  
34 corporation is not obligated to provide net energy metering to  
35 additional eligible customer-generators in its service area when  
36 the combined total peak demand of all electricity used by eligible  
37 customer-generators served by all the electric utilities in that  
38 service area furnishing net energy metering to eligible  
39 customer-generators exceeds 5 percent of the aggregate customer  
40 peak demand of those electric utilities.



1 (B) The commission shall require every large electrical  
2 corporation to make the standard contract or tariff available to  
3 eligible customer-generators, continuously and without  
4 interruption, until such times as the large electrical corporation  
5 reaches its net energy metering program limit or July 1, 2017,  
6 whichever is earlier. A large electrical corporation reaches its  
7 program limit when the combined total peak demand of all  
8 electricity used by eligible customer-generators served by all the  
9 electric utilities in the large electrical corporation’s service area  
10 furnishing net energy metering to eligible customer-generators  
11 exceeds 5 percent of the aggregate customer peak demand of those  
12 electric utilities. For purposes of calculating a large electrical  
13 corporation’s program limit, “aggregate customer peak demand”  
14 means the highest sum of the noncoincident peak demands of all  
15 of the large electrical corporation’s customers that occurs in any  
16 calendar year. To determine the aggregate customer peak demand,  
17 every large electrical corporation shall use a uniform method  
18 approved by the commission. The program limit calculated  
19 pursuant to this paragraph shall not be less than the following:

20 (i) For San Diego Gas and Electric Company, when it has made  
21 607 megawatts of nameplate generating capacity available to  
22 eligible customer-generators.

23 (ii) For Southern California Edison Company, when it has made  
24 2,240 megawatts of nameplate generating capacity available to  
25 eligible customer-generators.

26 (iii) For Pacific Gas and Electric Company, when it has made  
27 2,409 megawatts of nameplate generating capacity available to  
28 eligible customer-generators.

29 (C) Every large electrical corporation shall file a monthly report  
30 with the commission detailing the progress toward the net energy  
31 metering program limit established in subparagraph (B). The report  
32 shall include separate calculations on progress toward the limits  
33 based on operating solar energy systems, cumulative numbers of  
34 interconnection requests for net energy metering eligible systems,  
35 and any other criteria required by the commission.

36 (D) Beginning July 1, 2017, or upon reaching the net metering  
37 program limit of subparagraph (B), whichever is earlier, the  
38 obligation of a large electrical corporation to provide service  
39 pursuant to a standard contract or tariff shall be pursuant to Section  
40 ~~2827.1~~. *2827.1 and applicable state and federal requirements.*

1 (d) Every electric utility shall make all necessary forms and  
2 contracts for net energy metering and net surplus electricity  
3 compensation service available for download from the Internet.

4 (e) (1) Every electric utility shall ensure that requests for  
5 establishment of net energy metering and net surplus electricity  
6 compensation are processed in a time period not exceeding that  
7 for similarly situated customers requesting new electric service,  
8 but not to exceed 30 working days from the date it receives a  
9 completed application form for net energy metering service or net  
10 surplus electricity compensation, including a signed interconnection  
11 agreement from an eligible customer-generator and the electric  
12 inspection clearance from the governmental authority having  
13 jurisdiction.

14 (2) Every electric utility shall ensure that requests for an  
15 interconnection agreement from an eligible customer-generator  
16 are processed in a time period not to exceed 30 working days from  
17 the date it receives a completed application form from the eligible  
18 customer-generator for an interconnection agreement.

19 (3) If an electric utility is unable to process a request within the  
20 allowable timeframe pursuant to paragraph (1) or (2), it shall notify  
21 the eligible customer-generator and the ratemaking authority of  
22 the reason for its inability to process the request and the expected  
23 completion date.

24 (f) (1) If a customer participates in direct transactions pursuant  
25 to paragraph (1) of subdivision (b) of Section 365, or Section 365.1,  
26 with an electric service provider that does not provide distribution  
27 service for the direct transactions, the electric utility that provides  
28 distribution service for the eligible customer-generator is not  
29 obligated to provide net energy metering or net surplus electricity  
30 compensation to the customer.

31 (2) If a customer participates in direct transactions pursuant to  
32 paragraph (1) of subdivision (b) of Section 365 with an electric  
33 service provider, and the customer is an eligible  
34 customer-generator, the electric utility that provides distribution  
35 service for the direct transactions may recover from the customer's  
36 electric service provider the incremental costs of metering and  
37 billing service related to net energy metering and net surplus  
38 electricity compensation in an amount set by the ratemaking  
39 authority.

1 (g) Except for the time-variant kilowatthour pricing portion of  
2 any tariff adopted by the commission pursuant to paragraph (4) of  
3 subdivision (a) of Section 2851, each net energy metering contract  
4 or tariff shall be identical, with respect to rate structure, all retail  
5 rate components, and any monthly charges, to the contract or tariff  
6 to which the same customer would be assigned if the customer did  
7 not use a renewable electrical generation facility, except that  
8 eligible customer-generators shall not be assessed standby charges  
9 on the electrical generating capacity or the kilowatthour production  
10 of a renewable electrical generation facility. The charges for all  
11 retail rate components for eligible customer-generators shall be  
12 based exclusively on the customer-generator's net kilowatthour  
13 consumption over a 12-month period, without regard to the eligible  
14 customer-generator's choice as to from whom it purchases  
15 electricity that is not self-generated. Any new or additional demand  
16 charge, standby charge, customer charge, minimum monthly  
17 charge, interconnection charge, or any other charge that would  
18 increase an eligible customer-generator's costs beyond those of  
19 other customers who are not eligible customer-generators in the  
20 rate class to which the eligible customer-generator would otherwise  
21 be assigned if the customer did not own, lease, rent, or otherwise  
22 operate a renewable electrical generation facility is contrary to the  
23 intent of this section, and shall not form a part of net energy  
24 metering contracts or tariffs.

25 (h) For eligible customer-generators, the net energy metering  
26 calculation shall be made by measuring the difference between  
27 the electricity supplied to the eligible customer-generator and the  
28 electricity generated by the eligible customer-generator and fed  
29 back to the electrical grid over a 12-month period. The following  
30 rules shall apply to the annualized net metering calculation:

31 (1) The eligible residential or small commercial  
32 customer-generator, at the end of each 12-month period following  
33 the date of final interconnection of the eligible  
34 customer-generator's system with an electric utility, and at each  
35 anniversary date thereafter, shall be billed for electricity used  
36 during that 12-month period. The electric utility shall determine  
37 if the eligible residential or small commercial customer-generator  
38 was a net consumer or a net surplus customer-generator during  
39 that period.

1 (2) At the end of each 12-month period, where the electricity  
2 supplied during the period by the electric utility exceeds the  
3 electricity generated by the eligible residential or small commercial  
4 customer-generator during that same period, the eligible residential  
5 or small commercial customer-generator is a net electricity  
6 consumer and the electric utility shall be owed compensation for  
7 the eligible customer-generator's net kilowatthour consumption  
8 over that 12-month period. The compensation owed for the eligible  
9 residential or small commercial customer-generator's consumption  
10 shall be calculated as follows:

11 (A) For all eligible customer-generators taking service under  
12 contracts or tariffs employing "baseline" and "over baseline" rates,  
13 any net monthly consumption of electricity shall be calculated  
14 according to the terms of the contract or tariff to which the same  
15 customer would be assigned to, or be eligible for, if the customer  
16 was not an eligible customer-generator. If those same  
17 customer-generators are net generators over a billing period, the  
18 net kilowatthours generated shall be valued at the same price per  
19 kilowatthour as the electric utility would charge for the baseline  
20 quantity of electricity during that billing period, and if the number  
21 of kilowatthours generated exceeds the baseline quantity, the excess  
22 shall be valued at the same price per kilowatthour as the electric  
23 utility would charge for electricity over the baseline quantity during  
24 that billing period.

25 (B) For all eligible customer-generators taking service under  
26 contracts or tariffs employing time-of-use rates, any net monthly  
27 consumption of electricity shall be calculated according to the  
28 terms of the contract or tariff to which the same customer would  
29 be assigned, or be eligible for, if the customer was not an eligible  
30 customer-generator. When those same customer-generators are  
31 net generators during any discrete time-of-use period, the net  
32 kilowatthours produced shall be valued at the same price per  
33 kilowatthour as the electric utility would charge for retail  
34 kilowatthour sales during that same time-of-use period. If the  
35 eligible customer-generator's time-of-use electrical meter is unable  
36 to measure the flow of electricity in two directions, paragraph (1)  
37 of subdivision (c) shall apply.

38 (C) For all eligible residential and small commercial  
39 customer-generators and for each billing period, the net balance  
40 of moneys owed to the electric utility for net consumption of

1 electricity or credits owed to the eligible customer-generator for  
2 net generation of electricity shall be carried forward as a monetary  
3 value until the end of each 12-month period. For all eligible  
4 commercial, industrial, and agricultural customer-generators, the  
5 net balance of moneys owed shall be paid in accordance with the  
6 electric utility's normal billing cycle, except that if the eligible  
7 commercial, industrial, or agricultural customer-generator is a net  
8 electricity producer over a normal billing cycle, any excess  
9 kilowatthours generated during the billing cycle shall be carried  
10 over to the following billing period as a monetary value, calculated  
11 according to the procedures set forth in this section, and appear as  
12 a credit on the eligible commercial, industrial, or agricultural  
13 customer-generator's account, until the end of the annual period  
14 when paragraph (3) shall apply.

15 (3) At the end of each 12-month period, where the electricity  
16 generated by the eligible customer-generator during the 12-month  
17 period exceeds the electricity supplied by the electric utility during  
18 that same period, the eligible customer-generator is a net surplus  
19 customer-generator and the electric utility, upon an affirmative  
20 election by the net surplus customer-generator, shall either (A)  
21 provide net surplus electricity compensation for any net surplus  
22 electricity generated during the prior 12-month period, or (B) allow  
23 the net surplus customer-generator to apply the net surplus  
24 electricity as a credit for kilowatthours subsequently supplied by  
25 the electric utility to the net surplus customer-generator. For an  
26 eligible customer-generator that does not affirmatively elect to  
27 receive service pursuant to net surplus electricity compensation,  
28 the electric utility shall retain any excess kilowatthours generated  
29 during the prior 12-month period. The eligible customer-generator  
30 not affirmatively electing to receive service pursuant to net surplus  
31 electricity compensation shall not be owed any compensation for  
32 the net surplus electricity unless the electric utility enters into a  
33 purchase agreement with the eligible customer-generator for those  
34 excess kilowatthours. Every electric utility shall provide notice to  
35 eligible customer-generators that they are eligible to receive net  
36 surplus electricity compensation for net surplus electricity, that  
37 they must elect to receive net surplus electricity compensation,  
38 and that the 12-month period commences when the electric utility  
39 receives the eligible customer-generator's election. For an electric  
40 utility that is an electrical corporation or electrical cooperative,

1 the commission may adopt requirements for providing notice and  
2 the manner by which eligible customer-generators may elect to  
3 receive net surplus electricity compensation.

4 (4) (A) An eligible customer-generator with multiple meters  
5 may elect to aggregate the electrical load of the meters located on  
6 the property where the renewable electrical generation facility is  
7 located and on all property adjacent or contiguous to the property  
8 on which the renewable electrical generation facility is located, if  
9 those properties are solely owned, leased, or rented by the eligible  
10 customer-generator. If the eligible customer-generator elects to  
11 aggregate the electric load pursuant to this paragraph, the electric  
12 utility shall use the aggregated load for the purpose of determining  
13 whether an eligible customer-generator is a net consumer or a net  
14 surplus customer-generator during a 12-month period.

15 (B) If an eligible customer-generator chooses to aggregate  
16 pursuant to subparagraph (A), the eligible customer-generator shall  
17 be permanently ineligible to receive net surplus electricity  
18 compensation, and the electric utility shall retain any kilowatthours  
19 in excess of the eligible customer-generator's aggregated electrical  
20 load generated during the 12-month period.

21 (C) If an eligible customer-generator with multiple meters elects  
22 to aggregate the electrical load of those meters pursuant to  
23 subparagraph (A), and different rate schedules are applicable to  
24 service at any of those meters, the electricity generated by the  
25 renewable electrical generation facility shall be allocated to each  
26 of the meters in proportion to the electrical load served by those  
27 meters. For example, if the eligible customer-generator receives  
28 electric service through three meters, two meters being at an  
29 agricultural rate that each provide service to 25 percent of the  
30 customer's total load, and a third meter, at a commercial rate, that  
31 provides service to 50 percent of the customer's total load, then  
32 50 percent of the electrical generation of the eligible renewable  
33 generation facility shall be allocated to the third meter that provides  
34 service at the commercial rate and 25 percent of the generation  
35 shall be allocated to each of the two meters providing service at  
36 the agricultural rate. This proportionate allocation shall be  
37 computed each billing period.

38 (D) This paragraph shall not become operative for an electrical  
39 corporation unless the commission determines that allowing  
40 eligible customer-generators to aggregate their load from multiple

1 meters will not result in an increase in the expected revenue  
2 obligations of customers who are not eligible customer-generators.  
3 The commission shall make this determination by September 30,  
4 2013. In making this determination, the commission shall determine  
5 if there are any public purpose or other noncommodity charges  
6 that the eligible customer-generators would pay pursuant to the  
7 net energy metering program as it exists prior to aggregation, that  
8 the eligible customer-generator would not pay if permitted to  
9 aggregate the electrical load of multiple meters pursuant to this  
10 paragraph.

11 (E) A local publicly owned electric utility or electrical  
12 cooperative shall only allow eligible customer-generators to  
13 aggregate their load if the utility's ratemaking authority determines  
14 that allowing eligible customer-generators to aggregate their load  
15 from multiple meters will not result in an increase in the expected  
16 revenue obligations of customers that are not eligible  
17 customer-generators. The ratemaking authority of a local publicly  
18 owned electric utility or electrical cooperative shall make this  
19 determination within 180 days of the first request made by an  
20 eligible customer-generator to aggregate their load. In making the  
21 determination, the ratemaking authority shall determine if there  
22 are any public purpose or other noncommodity charges that the  
23 eligible customer-generator would pay pursuant to the net energy  
24 metering or co-energy metering program of the utility as it exists  
25 prior to aggregation, that the eligible customer-generator would  
26 not pay if permitted to aggregate the electrical load of multiple  
27 meters pursuant to this paragraph. If the ratemaking authority  
28 determines that load aggregation will not cause an incremental  
29 rate impact on the utility's customers that are not eligible  
30 customer-generators, the local publicly owned electric utility or  
31 electrical cooperative shall permit an eligible customer-generator  
32 to elect to aggregate the electrical load of multiple meters pursuant  
33 to this paragraph. The ratemaking authority may reconsider any  
34 determination made pursuant to this subparagraph in a subsequent  
35 public proceeding.

36 (F) For purposes of this paragraph, parcels that are divided by  
37 a street, highway, or public thoroughfare are considered contiguous,  
38 provided they are otherwise contiguous and under the same  
39 ownership.

1 (G) An eligible customer-generator may only elect to aggregate  
2 the electrical load of multiple meters if the renewable electrical  
3 generation facility, or a combination of those facilities, has a total  
4 generating capacity of not more than one megawatt.

5 (H) Notwithstanding subdivision (g), an eligible  
6 customer-generator electing to aggregate the electrical load of  
7 multiple meters pursuant to this subdivision shall remit service  
8 charges for the cost of providing billing services to the electric  
9 utility that provides service to the meters.

10 (5) (A) The ratemaking authority shall establish a net surplus  
11 electricity compensation valuation to compensate the net surplus  
12 customer-generator for the value of net surplus electricity generated  
13 by the net surplus customer-generator. The commission shall  
14 establish the valuation in a ratemaking proceeding. The ratemaking  
15 authority for a local publicly owned electric utility shall establish  
16 the valuation in a public proceeding. The net surplus electricity  
17 compensation valuation shall be established so as to provide the  
18 net surplus customer-generator just and reasonable compensation  
19 for the value of net surplus electricity, while leaving other  
20 ratepayers unaffected. The ratemaking authority shall determine  
21 whether the compensation will include, where appropriate  
22 justification exists, either or both of the following components:

23 (i) The value of the electricity itself.

24 (ii) The value of the renewable attributes of the electricity.

25 (B) In establishing the rate pursuant to subparagraph (A), the  
26 ratemaking authority shall ensure that the rate does not result in a  
27 shifting of costs between eligible customer-generators and other  
28 bundled service customers.

29 (6) (A) Upon adoption of the net surplus electricity  
30 compensation rate by the ratemaking authority, any renewable  
31 energy credit, as defined in Section 399.12, for net surplus  
32 electricity purchased by the electric utility shall belong to the  
33 electric utility. Any renewable energy credit associated with  
34 electricity generated by the eligible customer-generator that is  
35 utilized by the eligible customer-generator shall remain the property  
36 of the eligible customer-generator.

37 (B) Upon adoption of the net surplus electricity compensation  
38 rate by the ratemaking authority, the net surplus electricity  
39 purchased by the electric utility shall count toward the electric  
40 utility's renewables portfolio standard annual procurement targets



1 for the purposes of paragraph (1) of subdivision (b) of Section  
2 399.15, or for a local publicly owned electric utility, the renewables  
3 portfolio standard annual procurement targets established pursuant  
4 to Section 387.

5 (7) The electric utility shall provide every eligible residential  
6 or small commercial customer-generator with net electricity  
7 consumption and net surplus electricity generation information  
8 with each regular bill. That information shall include the current  
9 monetary balance owed the electric utility for net electricity  
10 consumed, or the net surplus electricity generated, since the last  
11 12-month period ended. Notwithstanding this subdivision, an  
12 electric utility shall permit that customer to pay monthly for net  
13 energy consumed.

14 (8) If an eligible residential or small commercial  
15 customer-generator terminates the customer relationship with the  
16 electric utility, the electric utility shall reconcile the eligible  
17 customer-generator's consumption and production of electricity  
18 during any part of a 12-month period following the last  
19 reconciliation, according to the requirements set forth in this  
20 subdivision, except that those requirements shall apply only to the  
21 months since the most recent 12-month bill.

22 (9) If an electric service provider or electric utility providing  
23 net energy metering to a residential or small commercial  
24 customer-generator ceases providing that electric service to that  
25 customer during any 12-month period, and the customer-generator  
26 enters into a new net energy metering contract or tariff with a new  
27 electric service provider or electric utility, the 12-month period,  
28 with respect to that new electric service provider or electric utility,  
29 shall commence on the date on which the new electric service  
30 provider or electric utility first supplies electric service to the  
31 customer-generator.

32 (i) Notwithstanding any other provisions of this section,  
33 paragraphs (1), (2), and (3) shall apply to an eligible  
34 customer-generator with a capacity of more than 10 kilowatts, but  
35 not exceeding one megawatt, that receives electric service from a  
36 local publicly owned electric utility that has elected to utilize a  
37 co-energy metering program unless the local publicly owned  
38 electric utility chooses to provide service for eligible  
39 customer-generators with a capacity of more than 10 kilowatts in  
40 accordance with subdivisions (g) and (h):

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

15 (2) The consumption of electricity from the local publicly owned  
16 electric utility shall result in a cost to the eligible  
17 customer-generator to be priced in accordance with the standard  
18 rate charged to the eligible customer-generator in accordance with  
19 the rate structure to which the customer would be assigned if the  
20 customer did not use a renewable electrical generation facility.  
21 The generation of electricity provided to the local publicly owned  
22 electric utility shall result in a credit to the eligible  
23 customer-generator and shall be priced in accordance with the  
24 generation component, established under the applicable structure  
25 to which the customer would be assigned if the customer did not  
26 use a renewable electrical generation facility.

27 (3) All costs and credits shall be shown on the eligible  
28 customer-generator's bill for each billing period. In any months  
29 in which the eligible customer-generator has been a net consumer  
30 of electricity calculated on the basis of value determined pursuant  
31 to paragraph (2), the customer-generator shall owe to the local  
32 publicly owned electric utility the balance of electricity costs and  
33 credits during that billing period. In any billing period in which  
34 the eligible customer-generator has been a net producer of  
35 electricity calculated on the basis of value determined pursuant to  
36 paragraph (2), the local publicly owned electric utility shall owe  
37 to the eligible customer-generator the balance of electricity costs  
38 and credits during that billing period. Any net credit to the eligible  
39 customer-generator of electricity costs may be carried forward to  
40 subsequent billing periods, provided that a local publicly owned

1 electric utility may choose to carry the credit over as a kilowatt-hour  
2 credit consistent with the provisions of any applicable contract or  
3 tariff, including any differences attributable to the time of  
4 generation of the electricity. At the end of each 12-month period,  
5 the local publicly owned electric utility may reduce any net credit  
6 due to the eligible customer-generator to zero.

7 (j) A renewable electrical generation facility used by an eligible  
8 customer-generator shall meet all applicable safety and  
9 performance standards established by the National Electrical Code,  
10 the Institute of Electrical and Electronics Engineers, and accredited  
11 testing laboratories, including Underwriters Laboratories  
12 Incorporated and, where applicable, rules of the commission  
13 regarding safety and reliability. A customer-generator whose  
14 renewable electrical generation facility meets those standards and  
15 rules shall not be required to install additional controls, perform  
16 or pay for additional tests, or purchase additional liability  
17 insurance.

18 (k) If the commission determines that there are cost or revenue  
19 obligations for an electrical corporation that may not be recovered  
20 from customer-generators acting pursuant to this section, those  
21 obligations shall remain within the customer class from which any  
22 shortfall occurred and shall not be shifted to any other customer  
23 class. Net energy metering and co-energy metering customers shall  
24 not be exempt from the public goods charges imposed pursuant to  
25 Article 7 (commencing with Section 381), Article 8 (commencing  
26 with Section 385), or Article 15 (commencing with Section 399)  
27 of Chapter 2.3 of Part 1.

28 (l) A net energy metering, co-energy metering, or wind energy  
29 co-metering customer shall reimburse the Department of Water  
30 Resources for all charges that would otherwise be imposed on the  
31 customer by the commission to recover bond-related costs pursuant  
32 to an agreement between the commission and the Department of  
33 Water Resources pursuant to Section 80110 of the Water Code,  
34 as well as the costs of the department equal to the share of the  
35 department's estimated net unavoidable power purchase contract  
36 costs attributable to the customer. The commission shall  
37 incorporate the determination into an existing proceeding before  
38 the commission, and shall ensure that the charges are  
39 nonbypassable. Until the commission has made a determination  
40 regarding the nonbypassable charges, net energy metering,

1 co-energy metering, and wind energy co-metering shall continue  
2 under the same rules, procedures, terms, and conditions as were  
3 applicable on December 31, 2002.

4 (m) In implementing the requirements of subdivisions (k) and  
5 (l), an eligible customer-generator shall not be required to replace  
6 its existing meter except as set forth in paragraph (1) of subdivision  
7 (c), nor shall the electric utility require additional measurement of  
8 usage beyond that which is necessary for customers in the same  
9 rate class as the eligible customer-generator.

10 (n) It is the intent of the Legislature that the Treasurer  
11 incorporate net energy metering, including net surplus electricity  
12 compensation, co-energy metering, and wind energy co-metering  
13 projects undertaken pursuant to this section as sustainable building  
14 methods or distributive energy technologies for purposes of  
15 evaluating low-income housing projects.

16 SEC. 10. Section 2827.1 of the Public Utilities Code is  
17 amended and renumbered to read:

18 2827.3. (a) By October 1, 2013, the commission shall complete  
19 a study to determine who benefits from, and who bears the  
20 economic burden, if any, of, the net energy metering program  
21 authorized pursuant to Section 2827, and to determine the extent  
22 to which each class of ratepayers and each region of the state  
23 receiving service under the net energy metering program is paying  
24 the full cost of the services provided to them by electrical  
25 corporations, and the extent to which those customers pay their  
26 share of the costs of public purpose programs. In evaluating  
27 program costs and benefits for purposes of the study, the  
28 commission shall consider all electricity generated by renewable  
29 electric generating systems, including the electricity used onsite  
30 to reduce a customer's consumption of electricity that otherwise  
31 would be supplied through the electrical grid, as well as the  
32 electrical output that is being fed back to the electrical grid for  
33 which the customer receives credit or net surplus electricity  
34 compensation under net energy metering. The study shall quantify  
35 the costs and benefits of net energy metering to participants and  
36 nonparticipants and shall further disaggregate the results by utility,  
37 customer class, and household income groups within the residential  
38 class. The study shall further gather and present data on the income  
39 distribution of residential net energy metering participants. In order  
40 to assess the costs and benefits at various levels of net energy

1 metering implementation, the study shall be conducted using  
2 multiple net energy metering penetration scenarios, including, at  
3 a minimum, the capacity needed to reach the solar photovoltaic  
4 goals of the California Solar Initiative pursuant to Section 25780  
5 of the Public Resources Code, and the estimated net energy  
6 metering capacity under the 5-percent minimum requirement of  
7 paragraphs (1) and (4) of subdivision (c) of Section 2827.

8 (b) (1) The commission shall report the results of the study to  
9 the Legislature within 30 days of its completion.

10 (2) The report shall be submitted in compliance with Section  
11 9795 of the Government Code.

12 (3) Pursuant to Section 10231.5 of the Government Code, this  
13 section is repealed on July 1, 2017.

14 SEC. 11. Section 2827.1 is added to the Public Utilities Code,  
15 to read:

16 2827.1. (a) For purposes of this section, “eligible  
17 customer-generator,” “large electrical corporation,” and “renewable  
18 electrical generation facility” have the same meanings as defined  
19 in Section 2827.

20 (b) ~~The~~ *Notwithstanding any other law, the* commission shall  
21 develop a standard contract or tariff, ~~including which may include~~  
22 net energy metering, for eligible customer-generators with a  
23 renewable electrical generation facility that is a customer of a large  
24 electrical corporation no later than December 31, 2015. The  
25 commission may develop the standard contract or tariff prior to  
26 December 31, 2015, and may require a large electrical corporation  
27 that has reached the net energy metering program limit of  
28 subparagraph (B) of paragraph (4) of subdivision (c) of Section  
29 2827 to offer the standard contract or tariff to eligible  
30 customer-generators. A large electrical corporation shall offer the  
31 standard contract or tariff to an eligible customer-generator  
32 beginning July 1, 2017, or prior to that date if ordered to do so by  
33 the commission because it has reached the net energy metering  
34 program limit of subparagraph (B) of paragraph (4) of subdivision  
35 (c) of Section 2827. The commission may revise the standard  
36 contract or tariff as appropriate to achieve the objectives of this  
37 section. In developing the standard contract or tariff, the  
38 commission shall do all of the following:

39 (1) Ensure that the standard contract or tariff made available to  
40 eligible customer-generators ensures that customer-sited renewable

1 distributed generation continues to grow sustainably and include  
2 specific alternatives designed for growth among residential  
3 customers in disadvantaged communities.

4 (2) Establish terms of service and billing rules for eligible  
5 customer-generators.

6 (3) Ensure that the standard contract or tariff made available to  
7 eligible customer-generators is based on the costs and benefits of  
8 the renewable electrical generation facility.

9 (4) Ensure that the total benefits of the standard contract or tariff  
10 to all customers and the electrical system are approximately equal  
11 to the total costs.

12 (5) Allow projects greater than one megawatt that do not have  
13 significant impact on the distribution grid to be built to the size of  
14 the onsite load if the projects with a capacity of more than one  
15 megawatt are ~~not exempted from~~ *subject to* reasonable  
16 interconnection charges established pursuant to the commission's  
17 Electric Rule ~~21.21~~ *and applicable state and federal requirements*.

18 (6) Establish a transition period during which eligible  
19 customer-generators taking service under a net energy metering  
20 tariff or contract prior to July 1, 2017, or until the electrical  
21 corporation reaches its net energy metering program limit pursuant  
22 to subparagraph (B) of paragraph (4) of subdivision (c) of Section  
23 2827, *whichever is earlier*, shall be eligible to continue service  
24 under the previously applicable net energy metering tariff for a  
25 length of time to be determined by the commission *by March 31,*  
26 *2014*. Any rules adopted by the commission shall consider a  
27 reasonable expected payback period based on the year the customer  
28 initially took service under the tariff or contract authorized by  
29 Section 2827.

30 (7) *The commission shall determine which rates and tariffs are*  
31 *applicable to customer generators only during a rulemaking*  
32 *proceeding. Any fixed charges for residential customer generators*  
33 *that differ from the fixed charges allowed pursuant to subdivision*  
34 *(f) of Section 739.9 shall be authorized only in a rulemaking*  
35 *proceeding involving every large electrical corporation. The*  
36 *commission shall ensure customer generators are provided electric*  
37 *service at rates that are just and reasonable.*

38 (c) Beginning July 1, 2017, or when ordered to do so by the  
39 commission because the large electrical corporation has reached  
40 its capacity limitation of subparagraph (B) of paragraph (4) of

1 subdivision (c) of Section 2827, all new eligible  
2 customer-generators shall be subject to the standard contract or  
3 tariff developed by the commission and any rules, terms, and rates  
4 developed pursuant to subdivision (b). There shall be no limitation  
5 on the amount of generating capacity or number of new eligible  
6 customer-generators entitled to receive service pursuant to the  
7 standard contract or tariff after July 1, 2017. An eligible  
8 customer-generator that has received service under a net energy  
9 metering standard contract or tariff pursuant to Section 2827 that  
10 is no longer eligible to receive service shall be eligible to receive  
11 service pursuant to the standard contract or tariff developed by the  
12 commission pursuant to this section.

13 SEC. 12. Section 2827.10 of the Public Utilities Code is  
14 amended to read:

15 2827.10. (a) As used in this section, the following terms have  
16 the following meanings:

17 (1) “Electrical corporation” means an electrical corporation, as  
18 defined in Section 218.

19 (2) “Eligible fuel cell electrical generating facility” means a  
20 facility that includes the following:

21 (A) Integrated powerplant systems containing a stack, tubular  
22 array, or other functionally similar configuration used to  
23 electrochemically convert fuel to electric energy.

24 (B) An inverter and fuel processing system where necessary.

25 (C) Other plant equipment, including heat recovery equipment,  
26 necessary to support the plant’s operation or its energy conversion.

27 (3) (A) “Eligible fuel cell customer-generator” means a  
28 customer of an electrical corporation that meets all the following  
29 criteria:

30 (i) Uses a fuel cell electrical generating facility with a capacity  
31 of not more than one megawatt that is located on or adjacent to  
32 the customer’s owned, leased, or rented premises, is interconnected  
33 and operates in parallel with the electrical grid while the grid is  
34 operational or in a grid independent mode when the grid is  
35 nonoperational, and is sized to offset part or all of the eligible fuel  
36 cell customer-generator’s own electrical requirements.

37 (ii) Is the recipient of local, state, or federal funds, or who  
38 self-finances projects designed to encourage the development of  
39 eligible fuel cell electrical generating facilities.

1 (iii) Uses technology the commission has determined will  
2 achieve reductions in emissions of greenhouse gases pursuant to  
3 subdivision (b), and meets the emission requirements for eligibility  
4 for funding set forth in subdivision (c), of Section 379.6.

5 (B) For purposes of this paragraph, a person or entity is a  
6 customer of the electrical corporation if the customer is physically  
7 located within the service territory of the electrical corporation  
8 and receives bundled service, distribution service, or transmission  
9 service from the electrical corporation.

10 (4) “Net energy metering” means measuring the difference  
11 between the electricity supplied through the electrical grid and the  
12 difference between the electricity generated by an eligible fuel cell  
13 electrical generating facility and fed back to the electrical grid over  
14 a 12-month period as described in subdivision (e). Net energy  
15 metering shall be accomplished using a time-of-use meter capable  
16 of registering the flow of electricity in two directions. If the existing  
17 electrical meter of an eligible fuel cell customer-generator is not  
18 capable of measuring the flow of electricity in two directions, the  
19 eligible fuel cell customer-generator shall be responsible for all  
20 expenses involved in purchasing and installing a meter that is able  
21 to measure electricity flow in two directions. If an additional meter  
22 or meters are installed, the net energy metering calculation shall  
23 yield a result identical to that of a time-of-use meter.

24 (b) (1) Every electrical corporation, not later than March 1,  
25 2004, shall file with the commission a standard tariff providing  
26 for net energy metering for eligible fuel cell customer-generators,  
27 consistent with this section. Subject to the limitation in subdivision  
28 (f), every electrical corporation shall make this tariff available to  
29 eligible fuel cell customer-generators upon request, on a  
30 first-come-first-served basis, until the total cumulative rated  
31 generating capacity of the eligible fuel cell electrical generating  
32 facilities receiving service pursuant to the tariff reaches a level  
33 equal to its proportionate share of a statewide limitation of 500  
34 megawatts cumulative rated generation capacity served under this  
35 section. The proportionate share shall be calculated based on the  
36 ratio of the electrical corporation’s peak demand compared to the  
37 total statewide peak demand.

38 (2) To continue the growth of the market for onsite electric  
39 generation using fuel cells, the commission may review and  
40 incrementally raise the limitation established in paragraph (1) on



1 the total cumulative rated generating capacity of the eligible fuel  
2 cell electrical generating facilities receiving service pursuant to  
3 the tariff in paragraph (1).

4 (c) In determining the eligibility for the cumulative rated  
5 generating capacity within an electrical corporation's service  
6 territory, preference shall be given to facilities that, at the time of  
7 installation, are located in a community with significant exposure  
8 to air contaminants or localized air contaminants, or both,  
9 including, but not limited to, communities of minority populations  
10 or low-income populations, or both, based on the ambient air  
11 quality standards established pursuant to Section 39607 of the  
12 Health and Safety Code.

13 (d) (1) Each net energy metering contract or tariff shall be  
14 identical, with respect to rate structure, all retail rate components,  
15 and any monthly charges, to the contract or tariff to which the  
16 customer would be assigned if the customer was not an eligible  
17 fuel cell customer-generator. Any new or additional demand  
18 charge, standby charge, customer charge, minimum monthly  
19 charge, interconnection charge, or other charge that would increase  
20 an eligible fuel cell customer-generator's costs beyond those of  
21 other customers in the rate class to which the eligible fuel cell  
22 customer-generator would otherwise be assigned are contrary to  
23 the intent of the Legislature in enacting this section, and may not  
24 form a part of net energy metering tariffs.

25 (2) The commission shall authorize an electrical corporation to  
26 charge a fuel cell customer-generator a fee based on the cost to  
27 the utility associated with providing interconnection inspection  
28 services for that fuel cell customer-generator.

29 (e) The net metering calculation shall be made by measuring  
30 the difference between the electricity supplied to the eligible fuel  
31 cell customer-generator and the electricity generated by the eligible  
32 fuel cell customer-generator and fed back to the electrical grid  
33 over a 12-month period. The following rules shall apply to the  
34 annualized metering calculation:

35 (1) The eligible fuel cell customer-generator shall, at the end  
36 of each 12-month period following the date of final interconnection  
37 of the eligible fuel cell electrical generating facility with an  
38 electrical corporation, and at each anniversary date thereafter, be  
39 billed for electricity used during that period. The electrical  
40 corporation shall determine if the eligible fuel cell

1 customer-generator was a net consumer or a net producer of  
2 electricity during that period. For purposes of determining if the  
3 eligible fuel cell customer-generator was a net consumer or a net  
4 producer of electricity during that period, the electrical corporation  
5 shall aggregate the electrical load of the meters located on the  
6 property where the eligible fuel cell electrical generation facility  
7 is located and on all property adjacent or contiguous to the property  
8 on which the facility is located, if those properties are solely  
9 owned, leased, or rented by the eligible fuel cell  
10 customer-generator. Each aggregated account shall be billed and  
11 measured according to a time-of-use rate schedule.

12 (2) At the end of each 12-month period, where the electricity  
13 supplied during the period by the electrical corporation exceeds  
14 the electricity generated by the eligible fuel cell customer-generator  
15 during that same period, the eligible fuel cell customer-generator  
16 is a net electricity consumer and the electrical corporation shall  
17 be owed compensation for the eligible fuel cell  
18 customer-generator's net kilowatthour consumption over that same  
19 period. The compensation owed for the eligible fuel cell  
20 customer-generator's consumption shall be calculated as follows:

21 (A) The generation charges for any net monthly consumption  
22 of electricity shall be calculated according to the terms of the tariff  
23 to which the same customer would be assigned to or be eligible  
24 for if the customer was not an eligible fuel cell customer-generator.  
25 When the eligible fuel cell customer-generator is a net generator  
26 during any discrete time-of-use period, the net kilowatthours  
27 produced shall be valued at the same price per kilowatthour as the  
28 electrical corporation would charge for retail kilowatthour sales  
29 for generation, exclusive of any surcharges, during that same  
30 time-of-use period. If the eligible fuel cell customer-generator's  
31 time-of-use electrical meter is unable to measure the flow of  
32 electricity in two directions, paragraph (4) of subdivision (a) shall  
33 apply. All other charges, other than generation charges, shall be  
34 calculated in accordance with the eligible fuel cell  
35 customer-generator's applicable tariff and based on the total  
36 kilowatthours delivered by the electrical corporation to the eligible  
37 fuel cell customer-generator. To the extent that charges for  
38 transmission and distribution services are recovered through  
39 demand charges in any particular month, no standby reservation  
40 charges shall apply in that monthly billing cycle.

1 (B) The net balance of moneys owed shall be paid in accordance  
2 with the electrical corporation’s normal billing cycle.

3 (3) At the end of each 12-month period, where the electricity  
4 generated by the eligible fuel cell customer-generator during the  
5 12-month period exceeds the electricity supplied by the electrical  
6 corporation during that same period, the eligible fuel cell  
7 customer-generator is a net electricity producer and the electrical  
8 corporation shall retain any excess kilowatthours generated during  
9 the prior 12-month period. The eligible fuel cell customer-generator  
10 shall not be owed any compensation for those excess kilowatthours.

11 (4) If an eligible fuel cell customer-generator terminates service  
12 with the electrical corporation, the electrical corporation shall  
13 reconcile the eligible fuel cell customer-generator’s consumption  
14 and production of electricity during any 12-month period.

15 ~~(f) A customer with a fuel cell that has local air quality benefits  
16 shall be eligible for the tariff for a period of time to be determined  
17 by the commission.~~

18 *(f) No fuel cell electrical generating facility shall be eligible for  
19 the tariff unless it commences operation prior to January 1, 2017,  
20 unless a later enacted statute, that is chaptered before January 1,  
21 2017, extends this eligibility commencement date. The tariff shall  
22 remain in effect for an eligible fuel cell electrical generating facility  
23 that commences operation pursuant to the tariff prior to January  
24 1, 2017. A fuel cell customer-generator shall be eligible for the  
25 tariff established pursuant to this section only for the operating  
26 life of the eligible fuel cell electrical generating facility.*

27 SEC. 13. No reimbursement is required by this act pursuant  
28 to Section 6 of Article XIII B of the California Constitution because  
29 the only costs that may be incurred by a local agency or school  
30 district will be incurred because this act creates a new crime or  
31 infraction, eliminates a crime or infraction, or changes the penalty  
32 for a crime or infraction, within the meaning of Section 17556 of  
33 the Government Code, or changes the definition of a crime within  
34 the meaning of Section 6 of Article XIII B of the California  
35 Constitution.

O