
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2021 - 2022 Regular

Bill No: SB 1385 **Hearing Date:** 4/18/2022
Author: Cortese
Version: 3/24/2022 Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Electricity: multifamily housing local solar program

DIGEST: This bill establishes, by January 1, 2024, a new 10-year, 3,000 megawatts (MW) multifamily housing local solar program that requires each large electrical corporation, as specified, to construct solar and storage systems in front of the customers' meters on or near multifamily housing.

ANALYSIS:

Existing law:

- 1) Establishes the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)
- 2) Requires, under the Green Tariff Shared Renewables Program, an electrical corporation with 100,000 or more customers in California to file with the CPUC an application requesting approval of a tariff to implement a program enabling ratepayers to participate directly in offsite electrical generation facilities that use eligible renewable energy resources. (Public Utilities Code §2831 et seq.)
- 3) Requires the CPUC, by June 30, 2017, to authorize, through the Multifamily Affordable Housing Solar Roofs Program, the awarding of monetary incentives for qualifying solar energy systems that are installed on qualified multifamily affordable housing properties through December 31, 2030. (Public Utilities Code §2870)
- 4) Requires the CPUC to establish a program for assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. (Public Utilities Code §739.1)
- 5) Creates the California Solar Initiative (CSI) with a goal to install solar energy systems with a generation capacity of 3,000 MW, to make solar energy systems

a viable mainstream option for both homes and businesses in 10 years, and to place solar energy systems on 50 percent of new homes in 13 years. Specifies no less than 10 percent of the overall CSI funding is to be directed toward programs assisting low-income households in obtaining the benefits of solar technology. (Public Utilities Code §2852)

- 6) Permits the CPUC to adopt decisions that establish the Single-Family Affordable Solar Homes Program (SASH) and the Multifamily Affordable Solar Housing Program (MASH), which provides monetary incentives for the installation of solar energy systems on low-income residential housing. Extends the SASH and MASH programs until December 31, 2021, or until budgeted funds are exhausted, whichever occurs sooner. (Public Utilities Codes §2852 and §2851)
- 7) Establishes the Energy Efficiency Low-Income Weatherization Program in the Department of Community Services and Development (CSD) from the appropriation of greenhouse gas (GHG) emissions reductions allowances from non-utility funds. The program provides for weatherization and renewable energy installations in disadvantaged communities defined by the California Environmental Protection Agency. (Government Code §12087.5)

This bill:

- 1) Requires the CPUC, on or before January 1, 2024, to establish a new ten-year multifamily housing local solar program that would require each electrical corporation with more than 100,000 service connections in California to construct, or contract for the construction of, solar and storage systems on or near qualified multifamily housing to achieve 3,000 MW of generating capacity.
- 2) Specifically, this bill requires:
 - a) Construction of one half of capacity (1,500 MW) by five years and remaining (1,500 MW) constructed by 10 years;
 - b) The solar and storage system is connected in front of the customers' meter;
 - c) Revenue used to provide monthly bill credits to participating low-income customers, pay the costs of constructing and operating the system, and pay the costs of administering the program. Each large electrical corporation shall not shift these costs to nonparticipating customers;
 - d) Each electrical corporation to retire all renewable energy credits from generation exported by the solar and storage system on behalf of the participating customers; and

- e) Construction of each solar and storage system from this programs constitutes a public works project for purposes of Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code.

Background

California Solar Initiative (CSI). The CSI was established in 2007 as a rate-payer funded effort for multiple programs to increase customer use of rooftop solar energy throughout California, including through the electric investor-owned utilities (IOUs), electric publicly owned utilities (POUs), and through the New Solar Homes Partnership. The electric IOUs were approved for 10 years of funding with a \$2.167 billion budget overall and a goal of installing 1,940 MW of new solar generation capacity through a general market program, the CSI thermal program, or the SASH and MASH programs. All components of the CSI have closed.

CSI outcomes. According to the CPUC's 2021 Annual Program Assessment of the CSI Program, California installed enough solar capacity to achieve the CSI General Market Program goal of installing 1,750 MW of capacity prior to December 2016. By the end of 2020, approximately 9,671 MW of customer-sited solar projects had been installed at over 1.1 million locations within the service territories of the state's three major IOU. This total, which is almost five times the CSI program goal, includes 29.7 MW of capacity under the SASH program and 53.5 MW of capacity under the MASH program. Since the MASH program was launched in 2008, 574 MASH projects have been completed, equaling 53.5 MW of installed capacity as of December 2020. There are an additional 97 MASH projects in progress or under review, with a total pending capacity of 18.9 MW. MASH applicants have received or reserved 100 percent of the original \$95 million MASH incentive budget. The MASH program will closed on December 31, 2021.

Net Energy Metering (NEM). The vast majority of solar customers are enrolled in NEM (NEM 1.0) or NEM Successor (NEM 2.0) tariffs, established under Public Utilities Code §§2827 and 2827.1, respectively. The NEM program supports onsite renewable energy (largely rooftop solar) installations designed to offset a portion, or all, of the customer's electrical energy usage. Under NEM, customers receive a bill credit (in dollars) based on the retail rate (including generation, transmission, and distribution rate components) for any excess generation (in kWh) that is exported back to the grid. In periods when a customer's bill is negative (because the amount of energy the solar system exported to the grid exceeded the amount of energy consumed by the customer), the bill credits are carried forward up to one year, at which point customers may elect to receive net surplus

compensation for any electricity produced in excess of on-site energy usage. On August 27, 2020, the CPUC initiated Rulemaking (R. 20-08-020) to develop a successor to the NEM 2.0 tariff, as part of its commitment in a previous decision to review the current tariff. The CPUC released a proposed decision in December 2021. However, a revised proposed decision is pending.

Solar on Multifamily Affordable Housing (SOMAH). Established by AB 693 (Eggman, Chapter 582, Statutes of 2015), the SOMAH program provides incentives for solar energy photovoltaic (PV) systems for multifamily affordable housing. SOMAH provides for up to \$100 million annually from the electric IOUs GHG auction proceeds, up to one billion dollars over ten years, to install 300 MW of capacity. The SOMAH program began accepting applications on July 1, 2019, receiving more than 200 applications on the first day it opened, and waitlists were started in the large electric IOUs' territories. According to the CPUC, by the end of 2020, 406 applications with 71.4 MW of capacity had been submitted into the program, with participation in all five SOMAH-eligible electric IOU territories. In April 2020, the CPUC directed the utilities to continue funding the SOMAH program through 2026.

Other related programs:

Disadvantaged Communities Green Tariff (DAC-GT). In June 2018, the CPUC created DAC-GT to increase access to solar for residents of disadvantaged communities located within Pacific, Gas & Electric (PG&E's), Southern California Edison (SCE's), or San Diego Gas & Electric (SDG&E's) service territory in Decision 18-06-027. The program enables income-qualified, residential customers in DACs who may be unable to install solar on their roof to benefit from utility scale clean energy and receive a 20 percent bill discount. The program is modeled after the existing Green Tariff portion of the Green Tariff/Shared Renewables Programs and is available to customers who meet the income eligibility requirements for the CARE and Family Electric Rate Assistance (FERA) programs. The DAC-GT program was launched and began enrolling customers in early 2020. Per the CPUC's website, the three large IOUs and about ten community choice aggregators (CCAs) have launched or will be launching the DAC-GT soon.

Community Solar Green Tariff (CSGT). The CPUC created the CSGT program which enables residential customers in DACs who may be unable to install solar on their roof to benefit from a local solar project and receive a 20 percent bill discount. The communities work with a local non-profit or government "sponsor" to organize community interest and present siting locations to the utility or CCA; the sponsor can also receive an incentive for its efforts. The

program requires each solar project to be located in proximity to the customers it serves. The three large IOUs (PG&E, SCE, and SDG&E) and five CCAs have launched or will be launching project solicitations.

Comments

SB 1385. This bill would establish a new 10-year, 3,000 MW multifamily housing local solar program that requires each large electrical corporation, as specified, to construct solar and storage systems in front of the customers' meters on, or near, qualified multifamily housing. This bill requires that half of the energy capacity is installed within five years of the start of the program.

Disproportionate benefits. The proponents of this bill argue that while the market for solar generating equipment in California grew at a rapid pace from the beginning of the CSI program and has continued to grow many of those benefits have been realized by single-family homeowners. They cite a study by Lawrence Berkeley National Laboratory which identified that roughly two percent of residential solar systems in their national 2019 sample were installed on multifamily buildings. Moreover, they cite the disproportionate adoption of rooftop solar which generally skews towards higher income earners, less even though many of these programs are funded by electric ratepayers.

More of the same? As noted by many of the opponents, this bill would create a new program focused on installing solar (and storage) on multifamily housing. Unlike the SOMAH program, this program would be utility directed, located in front of the customer's meter, and apply to a wider definition of low-income multifamily housing. As a result, there is concern that the costs of the program could result in increased costs to electric ratepayers via recovering costs of the program in electric utility rates (rate-base). In conversations with the sponsors and author's office, they acknowledge they do not intend for any of these costs to be borne by nonparticipating customers. *To that extent, the author and committee may wish to amend this bill to incorporate further language to ensure that all costs would be borne exclusively through a portion of revenues to be generated by the project through sale of energy and capacity, as proposed by TURN.*

Additional amendments. This bill proposes 3,000 MW goal for the program, essentially ten times the size of the SOMAH program. According to the CPUC, the average costs for the SOMAH solar projects is estimated to be \$650,000 per project, with about 1,400 installations anticipated to achieve the program's 300 MW goal and one billion budget. As electric utilities can already submit applications to the CPUC for these projects, the size capacity of the bill should be reduced to further limit potential costs impacts. *As such the author and committee may wish to amend this bill to reduce the size of the program.* Additionally, as has

been noted by opponents, tenants of the multifamily housing units should not be enrolled twice in both programs, both SOMAH and the new program proposed by this bill. *As such the author and committee may wish to amend this bill to add language to prohibit enrollment in both programs.*

Prior/Related Legislation

AB 693 (Eggman, Chapter 582, Statutes of 2015) created the Multifamily Affordable Housing Solar Roofs Program, to provide financial incentives for qualified solar installations at multifamily affordable housing properties funded from IOU's GHG allowances.

SB 43 (Wolk, Chapter 413, Statutes of 2013) established a Green Tariff Shared Renewables Program to allow electric IOUs to administer a program that allows utility customers to voluntarily purchase electricity from renewable energy facilities.

AB 217 (Bradford, Chapter 609, Statutes of 2013) extended the low-income programs of the CSI Program from 2016 until 2021, authorizes the collection of an additional \$108 million for these programs, and adds additional standards to the program, as specified.

SB 1 (Murray, Chapter 132, Statutes of 2006) established the electric portion of the CSI with a 10-year budget of \$2.2 billion collected from ratepayers.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

California State Association of Electrical Workers, Co-sponsor
Coalition of California Utility Employees, Co-sponsor
Climate Reality Project, San Fernando Valley Chapter
International Brotherhood of Electrical Workers, Local 47
International Brotherhood of Electrical Workers, Local 617
International Brotherhood of Electrical Workers, Local 684
International Brotherhood of Electrical Workers, Local 1245
State Building and Construction Trades Council
The Utility Reform Network, if amended

OPPOSITION:

350 Bay Area Action
350 Conejo San Fernando Valley
ACR Solar & Roofing
Affordable Housing Advocate
Association for Energy Affordability
Aurora Solar
Berkeley Tenants Union
Berkeley Climate Action Coalition
California Democratic Renters Council
California Housing Partnership Corporation
California Solar & Storage Association
Californians for Community Energy
CCC Climate Leaders
Center for Sustainable Energy
Citizen's Climate Lobby - Castro Valley Chapter
Community Advancement Development Corporation
GRID Alternatives
Hammond Climate Solutions
Indivisible Alta Pasadena
Indivisible CA-14
Indivisible CA-33
Indivisible CA-37
Indivisible California Green Team
Indivisible Marin
Indivisible Media City Burbank
Indivisible Resistance San Diego
Indivisible Ross Valley
Indivisible Sacramento
Indivisible San Jose
Indivisible Sonoma County
Indivisible South Bay LA
Ivy Energy
Livermore Indivisible
Long Beach Alliance for Clean Energy
Northern California Land Trust
Progressive Democrats of Santa Monica Mountains
Rooted in Resistance
SEI
Self-Help Enterprises
Service First of Northern California

Silicon Valley Youth Climate Action
SimpliPhi Power
So Cal 350
Solar Technologies
SolarCraft
Spectrum Energy Development
Stand Strong LA Indivisible
Sun, Light, and Power
Sunflower Alliance
The Clean Coalition
The Resistance Indivisible Northridge
Valley Women's Club of San Lorenzo Valley
Wellstone Democratic Renewal Club

ARGUMENTS IN SUPPORT: According to the author:

The data clearly shows that low-income renters have been left out of the rooftop solar expansion. According to the Lawrence Berkeley National Laboratory, only four percent of solar adopters come from the lowest 20 percent of earners. The state requires creative solutions that will aggressively expand solar access to underserved communities that are paying increasingly expensive energy bills every month. SB 1385 will achieve this goal by creating a program that will both increase high paying clean jobs as well as bring solar access to low-income families across the state.

ARGUMENTS IN OPPOSITION: The affordable housing nonprofits and advocates oppose the bill because they believe it is duplicative, yet less desirable than existing programs. These organizations argue that the bill will confuse property owners of multifamily housing and undermine the efforts of the SOMAH program which is more beneficial to low-income renters. Organizations that administer SOMAH also express concerns that the bill will result in potential competition for the same properties. The California Solar and Storage Association raise many of the same concerns in opposition to this bill. Additionally, CALSSA expresses concerns that the new program will allow electric IOUs to rate-base the projects and thereby increase their opportunity for profits while providing a tenth of the benefit of utility bill savings as compared to SOMAH.

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