CONCURRENCE IN SENATE AMENDMENTS
AB 920 (Huffman)
As Amended September 4, 2009
Majority vote

ASSEMBLY: 51-26 (June 1, 2009) SENATE: (September 11, 2009)
(vote not available)

Original Committee Reference: U. & C.

SUMMARY: Expands the current net-metering programs for wind and solar, to allow the net-metered customers to sell any excess electricity they produce over the course of a year to their electric utility. Specifically, this bill:

1) Defines a "net surplus customer-generator" as a customer-generator that generates more electricity in a 12-month period than the customer purchases from the utility in that same period.

2) Requires all investor owned utilities (IOUs) and publicly owned utilities (POUs) that offer net-metering to purchase all net surplus electricity produced from the customer's wind or solar generator at a rate set by the California Public Utilities Commission (PUC) or POU. The rate shall be set to provide the customer-generator "just and reasonable" compensation for the surplus energy sales, leave all other ratepayers indifferent, and shall not result in any cost shifting to non-customer generators.

3) Caps the amount of net surplus electricity a utility must purchase at 2.5% of each electric utility's aggregate peak demand.

4) Provides that the utility shall own all of the renewable attributes or renewable energy credits (RECs) associated with any net surplus electricity it must purchase. The customer will retain REC of any renewable energy credit associated with any electricity generated by the customer that is utilized by the customer.

The Senate amendments incorporate additional changes in Public Utilities Code Section 2827, proposed by AB 560, to be operative only if AB 560 and this bill are chaptered and become effective on or before January 1, 2010, and this bill is chaptered last.

EXISTING LAW:

1) Creates the California Solar Initiative (CSI), a $3.3 billion declining rebate program to offset the cost of installing solar panels on homes, businesses, and public buildings. The program requires that in order to be eligible for CSI rebates, among other requirements, the solar energy must be intended to offset part or all of the consumer's own electricity demand (the panels should not produce more electricity than the customer's historic peak demand).

2) Requires IOUs to offer customers with solar or wind generation that is smaller than one megawatt in size, a net-metered tariff where the customer can sell back electricity produced from the solar or wind facility that exceeds that customer's usage at a moment in time as a bill credit against electricity that the customer receives from the utility when their renewable

facility produces less than the customer is consuming. Caps the total amount of solar and wind generation that can be subject to net-metering at 2.5% of each utility's aggregate peak demand.

3) Requires all POUs other than the Los Angeles Department of Water and Power (LADWP) to offer a net-metering tariff as provided in 2) above, or offer a co-metering tariff where the bill credit is based only on the cost of generation and not the entire retail rate. Exempts LADWP from the net-metering and co-metering requirements.

AS PASSED BY THE ASSEMBLY, this bill was substantially similar to the version passed by the Senate.

FISCAL EFFECT: According to the Assembly Appropriations Committee, one-time costs of about $250,000 in 2010; ongoing costs of about $210,000 for the two analyst positions to monitor compliance with PUC decision and the impacts on net-metering customers and other ratepayers.

COMMENTS: According to the author, the purpose of this bill is to allow electric utility customers who install solar or wind generators on their property to be paid by their electric utility for all the "surplus" electricity they produce. The author believes this will encourage homeowners and businesses to conserve more electricity (and thus have more surplus power they can sell to the utility) and will allow property owners to install the maximum number of solar panels on their home.

Under net-metering, electric utilities are required to "buy back" any electricity generated by a customer-owned generator solar or wind generator that is not used by that customer. When the customer generates electricity, he/she uses most of it for his or her own facility. Any excess electricity passes through the meter and is distributed to the electricity grid. At the end of the year, the electric corporation calculates the amount of electricity distributed to the grid by the customer and reduces the customer's annual bill by the amount of electricity distributed to the electricity grid by the customer. This results in the utility "buying" the excess power and paying for it in the form of a bill credit.

The bill credit is set at the customer's retail cost (a cost that is much higher than the wholesale generation costs since it includes transmission, distribution, public good charges, and the utility's rate of return). If the customer-generator is being paid the retail price, the add-on costs are shifted to the utilities' other ratepayers. The bill is settled at the end of the year instead of on a monthly basis. This allows the customer to balance high production months against low production months. Since it is a bill credit, if for some reason the customer is a net energy producer (meaning over the course of a year the customer-generator produces more than he or she consumes) the year-end bill will be zero, but no check will be written to the customer.

SB 920 provides that a customer of IOUs and most POUs that installs solar or wind generators on their own property that produce more electricity than the customer's own demand (up to one megawatt in size) will receive a check from the utility for that surplus generation. To be eligible for CSI rebates the system must still be sized to actual or projected load of the customer-generator at the time the solar energy system is installed. This means that customers cannot intentionally oversize a solar energy system and receive a CSI rebate. If the customer's future electricity usage is less than the usage at the time of installation the customer will be under a net-

metered tariff that gives the customer a bill credit valued at the retail rate of electricity for any excess the customer produces during the year, but at the end of the year if bill credits exceed the total electricity the customer consumed from the utility the customer will be a net surplus producer and the utility would then owe the customer money for the net surplus electricity. The net surplus power electricity would be valued at a rate set by PUC at a just and reasonable rate that ensures no cost shifting. This rate will likely be less than the value associated with retail rate for the electricity credited against their bill.

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