Date of Hearing: April 23, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 1260 (Ward) – As Amended April 10, 2025

SUBJECT: Electricity: renewable energy subscription programs

SUMMARY: Mandates guidelines for the California Public Utilities Commission (CPUC) to establish a renewable energy subscription program.

Specifically, **this bill:**

1) Establishes a new proceeding at the CPUC by September 1, 2026 to adopt or modify a customer renewable energy subscription program.

2) The community renewable energy subscription program must:

    a. Efficiently serve distinct customer groups.

    b. Minimize duplicative offerings.

    c. Promote participation by low-income customers.

    d. Provides an alternative compliance pathway for Title 24 of California Code of Regulators.

    e. Maintain 51% of capacity serving low-income customers.

    f. Minimize impacts to nonparticipating customers by prohibiting the program's costs from being paid by nonparticipating customers in excess of the avoided costs of distributed energy resources. The avoided cost categories and values included in these calculations must be the same as other customer generators connected to the distribution system.

    g. Follow a number of requirements for the construction of facilities.

    h. Provide bill credits to subscribers based on avoided cost of the program's facilities. This will include:
        i. Full avoided cost values used for crediting exports by eligible customer-generators connected to the distribution system.
        ii. Long-run avoided generation capacity values if the Energy Commission determines that these projects are treated as a load-modifying resource that reduces resource adequacy obligations.

    i. Maximize federal and state incentive programs.

    j. Mandate all facilities to be built within the same local reliability area of the subscriber, except upon modification by the CPUC.

k. Mandate that all solar photovoltaic facilities must be combined with energy storage systems.

l. Requires that cost-effectiveness of the program is evaluated as a distributed energy resource.

m. Ensures that the terms and conditions of the programs ensure project financial viability.

3) Allows for the community solar program to contribute to resource adequacy compliance costs and count as a load-modifying resource as evaluated by the Energy Commission.

EXISTING LAW:

1) Mandates an evaluation of existing community renewable energy programs by March 31, 2024, and allows for the establishment of a new community renewable energy program. This new community renewable energy program must:
    a. Be in compliance with Title 24;
    b. Ensure at least 51% of the program's capacity serves low-income customers;
    c. Minimize impacts to nonparticipating customers by prohibiting the program's costs from being paid by nonparticipating customers in excess of the avoided costs;
    d. Adhere to a number of construction standards as specified;
    e. Provide bill credits to subscribers based on the avoided costs of the program's facilities, as determined by the commission's methods for calculating the full set of benefits of distributed energy resources;
    f. Prioritize the maximum use of state and federal incentives for the benefit of subscribers. (Public Utilities Code § 769.3)

2) Establishes the Green Tariff Shared Renewables (GTSR) program with 600 megawatts (MWs) of renewable resources available to customers of the investor-owned utilities (IOU). IOUs with 100,000 or more California customer accounts must participate; i.e. Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). The GTSR program also includes:
    g. 100 MWs for facilities one MW or less located in areas identified by the California Environmental Protection Agency as the most impacted and disadvantaged communities;
    h. Prohibits the shifting of costs to nonparticipating customers;
    i. 100 MWs for residential customers;
    j. 20 MWs for the City of Davis. (Public Utilities Code §§ 2831-2833)

3) Requires the CPUC to ensure that the GTSR charges and credits result in no costs shifted from participating customers to nonparticipating ratepayers. (Public Utilities Code § 2833(q))

4) Requires the IOUs to actively market the GTSR Program to low-income and minority communities and customers. (Public Utilities Code § 2833(j))

5) Defines a Load Serving Entity as IOUs, electric service providers, and community choice aggregators. (Public Utilities Code § 380 (k))

6) Requires each electrical IOU to offer a net energy metering (NEM) tariff with a credit for all electricity generated by a customer-owned renewable resource against the customer's usage of electricity, on a kWh basis. (Public Utilities Code §§ 2827, 2827.1)

7) Requires that all low-rise residential subdivisions of ten or more units include solar in new construction starting in 2020. (Cal. Code Regulations Title 24, Part 6 § 150.1)

8) Allows participation in a community shared solar or battery storage system, approved by the California Energy Commission (CEC), as a compliance option to partially or totally meet the onsite solar electric generation system and/or battery storage system that is otherwise required by Title 24. (Cal. Code Regulations. Tit 24, Part 6 § 10-115)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

CONSUMER COST IMPACTS: Unknown.

BACKGROUND:

What is Community Solar? – The U.S. Department of Energy defines community solar as any solar project or purchasing program, within a geographic area, in which the benefits of a solar project flow to multiple customers such as individuals, businesses, nonprofits, and other groups.[1] The goal of these programs is to provide greater access for the public to participate in solar projects. The primary mechanism for an individual to participate in solar generation is to install panels on the roof of their own home. Community solar provides an option for individuals who don't own their homes, have financial constraints, or have insufficient roof conditions such as shading, roof size, or other factors. In most cases, customers of community solar projects benefit from energy generated by solar panels at an off-site array. On-site multifamily community solar options also exist, where occupants of an apartment and condominium complex each benefit from the energy produced from the rooftop array. Subscribers to the program typically receive a bill credit for electricity generated by their share of the community solar project. However, the value of that customer bill credit can vary widely depending on the project. There are multiple community solar development and implementation models on the market. A large utility may own or operate a community solar project that is open to voluntary ratepayer participation. Customers may also collectively sign a contract with a third-party developer and be treated as departing load from their utility.

The Passage of AB 2316 (Ward) and the Creation of a New Community Solar Program – AB 2316 (Ward, Chapter 350, Statutes of 2022) mandated the CPUC to evaluate existing community solar programs and authorized the modification or elimination of programs that did not meet specified goals.[2] In addition, AB 2316 allowed the CPUC to establish a new community solar

[1] DOE Office of Energy Efficiency & Renewable Energy; "Community Solar Basics"; https://www.energy.gov/eere/solar/community-solar-basics
[2] Public Utilities Code § 769.3

and storage program, requiring 51% of capacity to serve disadvantaged communities, among other provisions. In 2022, the CPUC opened a proceeding to implement AB 2316. Within the proceeding, the Coalition for Community Solar Access, which represents companies and nonprofits that advocate for community solar, proposed the Net Value Billing Tariff (NVBT) as a proposal to meet the requirements of the statutorily authorized new community solar program. That proposal sought to enable 8 gigawatts of new community solar projects.

After considering stakeholder feedback, the CPUC issued a decision on May 30, 2024 rejecting the NVBT proposal.[3] The CPUC argued the proposal is not cost-effective, suggesting that the proposed community solar renewable energy projects are akin to wholesale resources as opposed to rooftop customer generators. This different classification changed the value of the resource, because a wholesale asset receives a wholesale rate and a behind-the-meter asset receives an Avoided Cost Calculator rate. This will be discussed at greater length below. Rather than approving the NVBT, the CPUC adopted an alternative program: the Community Renewable Energy Program (CREP). CREP uses existing wholesale tariffs to dictate energy costs, and relies on federal and state funds to subsidize the projects. $33 million has been appropriated from the state budget for community energy renewable programs and storage-backed renewable generation programs.[4] California has also secured a $250 million grant from the U.S. EPA to benefit low-income Californians in the federal Solar for All program. The future of the Solar for All program is unclear under the Trump administration.

Existing Community Solar Programs and the Impact of Decision 24-05-065 – Just last year there were four community solar programs for eligible customers of California's large IOUs (PG&E, SCE, and SDG&E): the Disadvantaged Communities-Green Tariff (DAC-GT) program, the Community Solar Green Tariff (CSGT) program, and the Green Tariff Shared Renewables (GTSR) program. The Green Tariff Shared Renewable program is comprised of two subprograms - the Green Tariff (GT) and the Enhanced Community Renewables (ECR) option. These programs were evaluated by the commission as mandated by AB 2316. In their decision to evaluate these programs, the CPUC found none of the programs met the statutory goals established in AB 2316.[5] The CPUC discontinued the CSGT program and the ECR subprogram. The CPUC modified and consolidated the discontinued programs into the DAC-GT and GTSR-GT programs. These modified programs now are structured as:

- **Disadvantaged Communities-Green Tariff program[6]:**
    - Renewable facility is a utility-scale, utility-procured project.
    - Open to residential customers in disadvantaged communities.
    - Customers receive a 20% bill discount.
    - May 30, 2024 CPUC Decision 24-05-065 impact[7]:
        - Expands the current program to 144 megawatts (MWs) up from 60 MWs.
        - Expands the geographic boundaries of a disadvantaged community

[3]CPUC Decision 24-05-065
[4] AB 102, Budget Act of 2023, Section 244 appropriated $33 million to the Commission with additional requirements.
[5] Conclusions of Law 1-4; pg. 164; CPUC Decision 24-05-065
[6] Created by CPUC De. 18-06-027 in 2018; sought increasing solar adoption in disadvantaged communities.
[7] CPUC Decision 24-05-065

- **GTSR-Green Tariff program**[8]:
    - Creates utility-scale and utility procured solar projects.
    - Open to all customers of the three large IOUs.
    - Customer pays the difference between their current charge for generation on their IOU bill and the cost of procuring either 50 or 100% renewables.
    - May 30, 2024 CPUC Decision 24-05-065 impact:[9]
        - Allows battery storage to be paired with solar projects and creates a pathway for potential expansion beyond the program capacity cap.
        - Aligns credits/charges it with other clean energy procurement efforts.

The Avoided Cost Calculator (ACC) and Cost Shifts – Technologies such as solar photovoltaic systems have led to the decentralization of energy generation on our grid. Distributed Energy Resources (DERs) are defined in California law as distribution-connected renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response programs.[10] One of the benefits of DERs is that energy generated by local resources, or demand-side resources like rooftop solar, can be used either on-site or nearby, avoiding the need to invest in more distribution and transmission infrastructure. The Avoided Cost Calculator is a mechanism to assess the value of distributed energy resources to the grid by modeling avoided costs of multiple grid variables. These variables include calculated costs for generation energy, generation capacity, ancillary services, transmission and distribution capacity, and decarbonization policy compliance. The ACC calculates a monetary amount in $/kWh to value a distributed resource for the cost saved by not connecting a wholesale resource, and is updated annually. Although updates help make real cost calculations more accurate, they can create volatility for programs relying on the ACC to determine credits or incentive values. For instance, the value of rooftop solar's avoided costs has declined over the last decade.[11]

The CPUC assesses a program's overall cost-effectiveness using the ACC as one of the inputs. Costs to administer the program (customer service, marketing, sales, IT, customer education), capital costs (equipment and build), and any offered incentives are weighed against the benefits of any tax credits, the ACC, reliability benefits, and any non-energy benefits. Cost shifts occur when the rewards to participants, developers and/or operators of a program outweigh the benefits to the grid as a whole. This imbalance results in nonparticipants of the program covering the cost difference.

A primary conflict in cost shift determinations is how benefits to the grid are defined and assessed. In Decision 24-05-065, the CPUC disputes that NVBT community solar resources avoid transmission, distribution, and capacity costs. The commission believes ratepayers would be paying in excess of the value of the avoided costs if the standard ACC calculation is used in its cost-effectiveness evaluation.[12]

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[8] Established under SB 43 (Wolk, Chapter 413, Statutes of 2013), objective of expanding customer access to renewable energy and to build up to 600 MW in additional renewable facilities
[9] CPUC Decision 24-05-065
[10] PUC Section 769
[11] E3 blog, "CPUC Approves 2021 Avoided Costs for Valuing Distributed Energy Resources," June 28, 2021; https://www.ethree.com/cpuc-approves-2021-avoided-costs-for-valuing-distributed-energy-resources/
[12] CPUC Decision 24-05-065

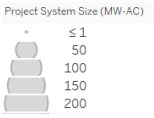

Figure 1: A) Community solar projects across the country, each dot is a community solar project, the size is correlated with the project system size. B) The top ten states cumulative community solar capacity. The top four states are Florida (2,085 MW-AC), New York (1,764 MW-AC), Massachusetts (1,014 MW-AC), and Minnesota (910 MW-AC).[13]

Community Solar Across the United States – Although community solar programs do not compare to rooftop solar generation in the state of California, community solar programs have grown extensively across the country. Community solar projects are located in 44 states, including the District of Columbia. Twenty-three states, plus the District of Columbia, have policies that support these projects. Community solar projects represent more than 7,800 MW-AC of total installed capacity and about 73% of the total market is concentrated in the top four states: Florida, New York, Massachusetts, and Minnesota (910 MW-AC) (Figure 1).[14]

Figure 2: A) Growth of New York Community Solar Capacity. B) Community solar plants and population density in the state of New York[15]

The growth of these projects has been swift. The state of New York, gained more than 2 GW of new capacity within just five years, between 2018-2023 (Figure 2A).[16] There is some concern that the community solar installations have been sited far from demand, decreasing the value of these resources to the grid (Figure 2B).

COMMENTS:

1) *Author's Statement.* According to the author: "California must build seven times the amount of solar, wind, and batteries every year for the next 25 years if we are to meet SB 100 goals. Unfortunately, nearly half of all California households are renters, and 70% of low-income households are renters, which in nearly any situation prevents onsite solar opportunities. AB 1260 provides a targeted way to build a robust community renewables program to lower electric bills for low-income households and renters, provide benefits to all ratepayers, and ease cost burdens for meeting the significant demand for new homes. Community Solar and Storage programs are an incredible tool the state can use to bridge this gap and ensure all Californians can access the benefits of renewable energy."

2) *Calculating Costs in the Proposed Program.* As outlined above, the CPUC does not believe that NVBT community solar projects would have sufficiently avoided transmission, distribution, and capacity costs. Therefore, the commission did not find it appropriate to use the standard Avoided Cost Calculator, as applied to customer generator solar tariffs, in establishing the program's cost-effectiveness. The commission argues that community solar projects are more similar to wholesale generation resources.

[13] NREL, "Sharing the Sun: Community Solar Deployment and Subscriptions (as of June2024)" Kaifeng Xu, Gabriel Chan, Sudha Kannan, September 2024
[14] https://www2.nrel.gov/state-local-tribal/community-solar, Accessed April 19, 2025
[15] Ibid.
[16] Personal communication, Public Advocates office. Data based on NYSERDA

Community solar advocates dispute this assertion and argue that the commission is under-valuing the contribution of these resources to the grid. In addition, the current bill requires that projects must be located within the Local Reliability Area as their subscribers. Supporters suggest that this addresses the concern that community solar projects do not avoid transmission and distribution costs. They argue that this requirement would contribute to alleviating significant LRA transmission constraints. Ultimately, this bill ensures that the community renewable energy subscription program it establishes will be compensated similarly to other customer generators connected to the distribution system, not as wholesale generators.

3) *Keeping the Projects Local*. One of the primary conflicts in assessing value of community solar projects to the grid is ascribing the avoided transmission and distribution investment cost. The premise of that value is reliant upon the siting of projects close to the subscribers of the program. The bill already has a requirement that facilities in the program must be sited in the same local reliability area as the customer, however, the bill does open the ability of the commission to identify exceptions to this mandate. Program expansion beyond the local area is a central concern to many consumer advocate groups to ensure that all ratepayers are getting benefits. *The committee recommends striking language that permits exceptions from the requirement that facilities in the program must be sited in the same local reliability area as the customers.*

4) *Keeping community solar projects small.* The intended emphasis of this program is to provide local, small scale generation, as opposed to large, utility-scale solar projects. In order to maximize this local benefit and maintain the ability to connect to the distribution grid, it makes sense to limit the size of each project. In addition, the Inflation Reduction Act of 2022 (IRA) extended a federal tax credit to energy facilities with maximum net output of less than 5 megawatts. *The committee recommends including language that requires all facilities participating in the program to have no more than five megawatts of generation capacity and no more than five megawatts of storage.*

5) *Capping the program.* A primary concern from consumer advocates is that once a community solar program is in place, there may be runaway shifting costs onto non-participants. One way to alleviate that concern is to impose a total program cap or institute a sunset so that this risk is minimized. *Therefore, the committee recommends including language that caps the total program capacity at four gigawatts, or ends program subscriptions after seven years, whichever is first.*

6) *Instituting quarterly reporting requirements*. This is a large generation program and therefore it is important to track the success of implementation relative to the goals that have been specified. *The committee recommends the bill mandates that program administrators generate quarterly reports on individual projects, that the CPUC do a systematic program review after two years, and includes a premature sunset of the program if specified goals are not met as determined in that review.*

7) *Related Legislation.*

AB 39 (Zbur) requires counties and cities, including charter cities, to adopt a plan, or amend their general plan, to identify various goals, objectives, policies, and

implementation measures regarding electrification of transportation and buildings. This includes opportunities to expand rooftop solar community, microgrid, and battery storage technologies. Status: Pending hearing in the Assembly Committee on Utilities and Energy, following passage out of the Committee on Local Government on April 10, 2025. Vote: 10-0-0.

AB 1243 (Addis) Establishes the Polluters Pay Climate Superfund Program, which among its many provisions will provide funding to energy efficiency and resiliency including community solar programs. Status: Pending hearing in the Assembly Committee on Natural Resources.

SB 684 (Menjivar) Same text as AB 1242. Status: Pending hearing in the Senate Committee on Judiciary on April 22, 2025, following passage in the Senate Committee on Environmental Quality on a 5-3-0 vote.

8) *Prior Legislation.*

AB 2316 (Ward) requires the CPUC to open a proceeding by March 31, 2023, to establish a community renewable energy program that meets specified criteria. This bill also requires the CPUC, as part of the proceeding, to evaluate customer renewable energy subscription programs and to report the findings from the evaluation to the Legislature by December 31, 2023. Upon evaluation, authorizes the CPUC to terminate or modify programs that fail to meet certain requirements, as specified. Status: Chapter 350, Statues of 2022.

AB 2143 (Carrillo, 2022) defines any renewable electrical generation facility greater than 15 kilowatts and on a net energy metering tariff as a public works project. This makes the facility subject to prevailing wage. Additionally, the bill requires the CPUC to report on NEM adoption and distributed energy resource growth in disadvantaged communities. Status: Chapter 774, Statues of 2022

AB 2838 (O'Donnell, 2022) permits the CPUC to authorize an IOU to terminate its GTSR program via an advice letter on or after April 1, 2023. Additionally permits any outstanding GTSR costs to be recovered by the IOU's nonparticipating ratepayers, should the CPUC terminate or suspend the IOU's GTSR program. Status: Chapter 418, Statues of 2022.

SB 1385 (Cortese, 2022) establishes a new 10-year, 3,000 MW multifamily housing local solar program that requires each large electrical corporation to construct solar and storage systems on or near multifamily housing. Status: Held in the Senate Committee on Appropriations.

AB 1139 (Lorena Gonzalez, Carrillo, 2021) would have directed the CPUC to adopt a new NEM standard contract or tariff, which the bill defines as the "replacement tariff," by August 1, 2022, and requires an electrical IOU to offer the replacement tariff to an eligible customer-generator by December 31, 2023. If the CPUC fails to act, the CPUC is required to adopt a new tariff under terms prescribed by this bill. Status: Inactive File.

AB 801 (Levine, 2019) would have required the CPUC, in collaboration with the CEC, to assess the feasibility of expanding an existing tariff or program, or establishing a new tariff or program, to facilitate compliance with the requirement of the California Building Code, adopted by the CEC, that all new low-rise residential buildings include solar PV capacity. The assessment was to include whether the tariff or program could be implemented in a manner that ensures nonparticipating ratepayer indifference consistent with the requirement of the statutory GTSR program. Status: Held in the Assembly Committee on Appropriations.

AB 2345 (Reyes, 2018) would have required the CPUC to require the IOUs to establish a tariff that provides for bill credits for electricity generated by eligible renewable generating facilities, particularly those on previously developed sites, to be credited to electrical accounts of IOU nonresidential customers. Status: Held in the Senate Committee on Rules.

SB 1399 (Wiener, 2018) would have required the CPUC to require IOUs to create a tariff or multiple tariffs enabling commercial and industrial customers to obtain bill credits generated by an eligible renewable generating facility and apply those credits to a benefiting account. Status: Held in the Senate Committee on Appropriations.

SB 366 (Leyva, 2017) would have revised the GTSR program to permit the CPUC to increase the program cap from 600 MWs to 800 MWs to accommodate projects for low-income customers and projects located in disadvantaged communities. Would have allocated revenues from IOU greenhouse gas emission allowances to fund the Renewable Energy for All program. Status: Held in the Assembly Committee on Utilities and Energy.

SB 43 (Wolk) established, until January 1, 2019, a Shared Renewable Self Generation Program allowing IOU customers to purchase an interest in a "community renewable energy facility" and receive a bill credit for the generation component of the customer's electrical service. Status: Chapter 413, Statues of 2013.

AB 327 (Perea) among other provisions, requires the CPUC to develop specific alternatives to the net energy metering tariff to ensure that customer-sited renewable distribution is available to residential customers in disadvantaged communities. Status: Chapter 611, Statutes of 2013.

REGISTERED SUPPORT / OPPOSITION:

Support

Advanced Energy United
Brightline Defense
California Apartment Association
California Building Industry Association (CBIA)
California Energy Storage Alliance
California Environmental Justice Alliance
California Environmental Voters

California Releaf
California State Association of Electrical Workers
Center for Biological Diversity
Clean Coalition
Climate Center; the
Climate Resolve
Coalition for Community Solar Access
Coalition of California Utility Employees
Dayenu: a Jewish Call to Climate Action
Democrats of Rossmoor
E2
Environmental Working Group
Grid Alternatives
Natural Resources Defense Council (NRDC)
New Energy Equity
Nexamp
Proteus, INC.
Renewable Properties
Solar Energy Industries Association
Specialty Crop Company
Sustainable Rossmoor
The Utility Reform Network (TURN)
Union of Concerned Scientists
Vote Solar

Opposition

Edison International and Affiliates, Including Southern California Edison
Pacific Gas and Electric Company and its Affiliated Entities
Public Advocates Office
San Diego Gas and Electric Company

Oppose Unless Amended

California Solar & Storage Association

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