Date of Hearing: May 14, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 1260 (Ward) – As Amended April 28, 2025

Policy Committee: Utilities and Energy Vote: 13 - 1

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill requires the California Public Utilities Commission (CPUC) to adopt or modify a customer renewable energy subscription program by which a program participant is credited for electricity generated from a relatively nearby renewable generation facility, such as an array of solar panels.

Specifically, this bill, among other things, directs the CPUC, by September 1, 2026, to adopt or modify a customer renewable energy subscription program that ensures at least 51 percent of the program's capacity serves low-income customers and minimizes 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 bill specifies the CPUC's calculation of such avoided costs is to include all of the avoided cost "categories and values" calculated for other customer generators connected to the distribution system.

The bill requires any electricity generation facility participating in the subscription program (a) be located within the same "local reliability area" as its subscribers, meaning an area identified by the California Independent System Operator (CAISO) as being transmission constrained, (b) have no more than five megawatts (MW) of generation capacity and storage capacity and (c), for any solar photovoltaic (PV) generation facility that participates in the subscription program, be combined with energy storage that provides at least four hours of storage at the same capacity as the solar generator.

The bill caps the total capacity of the subscription program at four gigawatts (GW) and ends program subscriptions after seven years, and ends the program when either limit is reached.

The bill directs the CPUC, beginning two years from the adoption or modification of the subscription program, to evaluate the program to ensure consistency with certain statutory requirements and directs the CPUC to authorize the termination or modification of the subscription program if determines the program does not meet statutory requirements.

Finally, the bill directs the California Energy Commission (CEC) to evaluate community solar and storage projects as a load-modifying resource so that those projects may be counted as a load-modifying resource and thereby reduce resource adequacy procurement obligations, and issue a determination on or before September 1, 2026.

FISCAL EFFECT:

This bill will entail significant new work by the CPUC to adopt or modify a customer renewable energy subscription program as required by this bill. True, the CPUC has done much work to adopt a program. However, it seems likely, as the CPUC asserts, the bill will require the CPUC, to a large extent, start over, or revisit much of its past work, which the CPUC characterizes as "a substantial administrative burden."

For its part, the CPUC estimates one-time costs of $1.5 million for consultant contracts, equipment, training and workshops, and travel, as well as $901,000 annually ongoing for analytical and legal staff (Public Utilities Commission Utilities Reimbursement Account).

Similarly, the bill requires significant new analytical work of the CEC, for which the CEC estimates it will need $936,562 annually: $686,562 for three staff positions to conduct the data collection, forecasting and impact analysis, and $250,000 to purchase historical community solar and storage data to inform the forecast. The appropriate funding source would be the Energy Resources Programs Account (ERPA), which faces a structural deficit.

COMMENTS:

1) **Purpose.** The author intends this bill to help the state meet its clean energy goals while also lowering electric bills for low-income Californians. 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) **Background.** A community renewable energy program, very generally, is a program through which customers of large investor-owned utilities (IOUs) may subscribe to receive electricity from a local renewable electricity generation facility. The state has long had several such programs for solar energy; however, participation in the programs has never been robust.

   AB 2316 (Ward), Chapter 350, Statutes of 2022, directed the CPUC to evaluate existing customer community renewable energy programs in order to modify and possibly terminate them and to determine whether it is beneficial to ratepayers to develop a new program for community renewable energy by an electrical corporation, based on specified criteria, including ensuring at least 51% of the energy capacity serves low-income customers. The CPUC conducted its review, pursuant to AB 2316, and found that no existing program met statutory goals.

   For this reason, the CPUC chose to create a new community renewable energy program, the Community Renewable Energy Program (CREP). In adopting the CREP, the CPUC

prescribed rates of compensation for the electricity generated by a CREP facility that is comparable to the rates of compensation provided to utility-scale renewable energy projects. This is because, reasons the CPUC, such projects are not collocated with the customers who subscribe to the program and, therefore, implicitly impose costs on the electricity distribution and transmission systems ("the grid"). This interpretation differs from advocates for this bill, who had implored the CPUC to value electricity produced by a community renewable energy facility as it does a rooftop solar system located behind a customer's electricity meter and participating in a different renewable energy program.

At the heart of these arguments is a disagreement about the effect of community renewable energy facilities (again, almost always solar facilities) on the grid. Bill proponents contend the effect of such a system on the grid is the same as rooftop solar system located on a customer's side of the electricity meter. For this reason, the bill directs the CPUC to value the output of a community renewable energy facility as it would a behind-the-meter rooftop solar facility, that is, to quote the bill, to include "all of the avoided cost categories and values calculated for other customer generators connected to the distribution system." Bill proponents described this treatment as appropriate, because:

> There is no difference between electricity produced by a rooftop system that is exported to the distribution system and electricity produced by a community solar project that is exported to the distribution system. Any T&D [transmission and distribution] savings would be the same.
>
> The biggest determinant of value is when the electricity is produced. The ACC [the "avoided cost calculator," which the CPUC uses to assign a monetary value to a distributed energy resource for the cost saved by not connecting a wholesale resource] heavily weights T&D deferral value into the peak hours during the summer months. Any resource providing that value at the distribution level should be treated similarly whether it's a rooftop system of a community project. Community projects under AB 1260 would include energy storage and are assumed to dispatch in a manner that maximizes grid value.

In contrast, the CPUC argues:

> CS [community solar] projects are front-of-the-meter supply-side projects…do not actually avoid many of the system costs in the [avoided cost] calculator. That compensation mechanism is used to calculate onsite and proximate rooftop solar benefits.
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> Rather, CS projects are eligible for wholesale compensation at wholesale avoided cost. If rooftop BTM [behind-the-meter] solar avoided costs were applied to the CS tariff, this would result in a sizeable cost-shift [to customers not participating in community renewable energy program].

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081