
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Josh Becker, Chair
2025 - 2026 Regular**

Bill No:	AB 942	Hearing Date:	7/15/2025
Author:	Calderon		
Version:	6/2/2025 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

SUBJECT: Net energy metering: eligible customer-generators: tariffs

DIGEST: This bill modifies the terms applicable to customer-generators participating in the Net Energy Metering (NEM) tariff, including by requiring customer-generators of electrical corporations to be transferred to a new tariff when the property has been sold; and to exempt customers participating in NEM from receiving the climate credit.

ANALYSIS:

Existing law:

- 1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)
- 2) Requires that all charges demanded or received by any public utility for any product, commodity or service be just and reasonable. (Public Utilities Code §451)
- 3) Requires each electrical utility, including each electrical corporation, local publicly owned electric utility (POU), electrical cooperative, or other entity that offers electrical service, except as specified, to develop a standard contract or tariff that provides for NEM, which, among other things, compensates each eligible customer-generator, as defined, for the electricity it generated during a preceding 12-month period that exceeds the electricity supplied by the electrical utility through the electrical grid to the eligible customer-generator during that same period, as provided. Requires each electrical utility to make the contract or tariff available to eligible customer-generators, upon request, on a first-come-first-served basis until the time that the total rated generating capacity used by those eligible customer-generators exceeds five percent of the electrical utility's aggregate customer peak demand, except as specified. This contract or tariff is commonly known as NEM 1.0. (Public Utilities Code §2827)

- 4) Requires the CPUC to develop an additional standard contract or tariff, which may include NEM, for eligible customer-generators that are customers of large electrical corporations, as defined. Requires each large electrical corporation to offer this standard contract or tariff to its eligible customer-generators beginning July 1, 2017, or before that date if ordered to do so by the CPUC because it has reached the above-mentioned five percent NEM 1.0 program limit, and prohibits limiting the amount of generating capacity or the number of new eligible customer-generators entitled to receive service pursuant to this standard contract or tariff, as specified. This contract or tariff is commonly known as NEM 2.0. Authorizes the CPUC to revise the standard contract or tariff as appropriate to achieve specified objectives. (Public Utilities Code §2827.1)
- 5) Designates the California Air Resources Board (CARB), pursuant to the California Global Warming Solutions Act of 2006, as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases (GHGs) and requires the CARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030. Authorizes, until January 1, 2031, the CARB to adopt a regulation establishing a market-based compliance mechanism that meets certain requirements. Pursuant to this authority, CARB adopted the Cap-and-Trade Program that, among other things, makes certain electrical distribution utilities eligible for direct allocation of greenhouse gas allowances, as specified. (Health and Safety Code §38500 *et seq.*)
- 6) Requires the CPUC to require revenues, including any accrued interest, received by an electrical corporation as a result of the direct allocation of GHG allowances to electric utilities pursuant to the program, as provided, to be credited directly to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation. (Public Utilities Code §748.5)

This bill:

- 1) Requires a new eligible customer-generator for a large electrical corporation, on and after January 1, 2026, that purchased real property that contains a renewable electrical generation facility upon which a prior eligible customer-generator took service, to:
 - a) Take service under the then-current applicable tariff adopted by the CPUC after December 1, 2022;

- b) Disqualifies the new eligible customer-generator from eligibility for the avoided cost calculator plus glide path, as specified; and
 - c) Requires the new eligible customer-generator to pay all non-bypassable charges that are applicable to customers that are not eligible customer-generators.
- 2) Authorizes the CPUC to adopt a new tariff for a new eligible customer-generator that purchased real property that contains a renewable electrical generation facility, and to require those eligible customer-generators to use that new tariff if it results in a lower cost impact on customers who are not eligible customer-generators than the prior tariff that was applicable to those eligible customer-generators, as provided.
- 3) Disqualifies, beginning January 1, 2026, eligible customer-generators from receiving the climate credit.
- 4) Exempts from this bill's provisions new eligible customer-generators that are public schools or agricultural customers.

Background

Net Energy Metering (NEM) tariff. Electric utility customers have long subsidized the cost of customer-sited electricity generation from renewable resources, which is largely electricity generated by rooftop solar. The vast majority of rooftop solar customers are enrolled in NEM 1.0 or NEM Successor (NEM 2.0) tariffs, established under Public Utilities Code §§2827 and 2827.1, respectively. The NEM tariff 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. Customers taking service under NEM 2.0 pay the cost to connect to the grid, take service on a "time-of-use" rate plan, and pay "non-bypassable" charges that are not offset with surplus energy credits.

Successor tariff adopted. In August 2020, the CPUC initiated Rulemaking (R. 20-08-020) to develop a successor to the NEM 2.0 tariff, as part of the requirement in statute and a commitment in a previous decision to review the current tariff to

address the shift in costs to nonparticipating customers. In December 2022 (D. 22-12-056), the CPUC adopted a new version of the NEM tariff, now known as the Net Billing Tariff (NBT), which adjusts the compensation for solar energy electricity exported back to the electric grid with a reduced amount of compensation from systems that were installed after to April 15, 2023. The CPUC decision revises the NEM tariff to improve price signals by better aligning them with the electric grid's conditions, both day and night. The updated billing structure of the tariff is designed to optimize grid use by the tariff's customers and incentivize adoption of combined solar and storage systems. The successor tariff also replaces retail rate compensation for exported energy with Avoided Cost Calculator values that vary according to grid needs. To ensure the sustainable growth of customer-sited renewable distributed generation, the successor tariff provides a glide path in the form of an adder based on the values in the Avoided Cost Calculator. The glide path allows for a transition period for the solar industry to adapt to a solar paired with storage marketplace. The CPUC intends for the changes to help meet California's climate goals and increase reliability, while promoting affordability across all income levels. The changes to the tariff also result in a longer payback period of nine years. Opponents to the CPUC decision filed a lawsuit challenging the decision. The case is currently pending at the California Supreme Court, with a possible decision within the next 90 days.

Comments

Need for this bill. According to the author:

California has been a leader in renewable energy development as we build towards a more sustainable future. While rooftop solar is an essential tool in our fight against climate change, the current solar subsidies have shifted the costs of maintaining the grid onto those who cannot afford or have the option to install solar panels. AB 942 seeks modest, timely changes to the net energy metering subsidies that reduce the cost shift on non-solar customers. Our energy bills are becoming increasingly unaffordable, and we must address this ratepayer inequity. This bill strikes a more fair balance of preserving the benefits of rooftop solar, while also instituting a more equitable system for all ratepayers."

NEM cited as driver of costs on electricity bills. The premise of this bill is that changes are needed to help provide electric IOU customers with relief from high electric utility bills. The proponents of this bill contend that the NEM program is a driver of much of the costs embedded in electric rates. Their arguments were bolstered by the *February 2025 CPUC Response to the Governor's Executive Order N-5-24* directing the CPUC to identify ways the Legislature and CPUC can address affordability. In the report, the CPUC stated that "NEM program costs are

one of the largest contributors to rising electricity rates for customers that do not have rooftop solar.” The CPUC further stated that NEM programs increase electricity by: (1) customers pay for the generation that is exported to the grid from another customer’s NEM system at a higher (retail) rate than other available generation (especially utility-scale solar); and (2) customers pay for the part of the bill savings experienced by NEM customers because the program allows rooftop solar customers to bypass their share of direct costs to maintain the electric grid. The CPUC further states that IOU customers without rooftop solar pay this increased costs to NEM customers for 20 years after the grid interconnection dates.

Debate regarding the NEM cost-shift. In noting the costs borne by non-NEM customers, the CPUC cited the Public Advocates Office (PAO) estimates that the cost shift from NEM to non-solar ratepayers rose 150%, from \$3.4 billion in 2021 to \$8.5 billion in 2024. The cost shift will continue to rise as retail rates increase. The PAO also notes that these systems are rapidly paying for themselves. For NEM 2.0 customers, they estimate the return on investment occurring in as little as 4-5 years. Subsequently, NEM customers then receive a windfall as they are subsidized for an additional 15 to 16 years. (NBT customers also benefit from a generous payback period of an estimated under 10 years.) On the other hand, the solar industry and many of its supporters, dispute the PAO’s estimates. They released their own report, with their own estimates, *Rooftop Solar Reduces Costs for all Ratepayers* by M.Cubed Consulting and the California Solar & Storage Association (CALSSA). The report argues that rooftop solar customers provided a net benefit of \$1.5 billion to all California ratepayers in 2024 by helping to reduce peak electricity demand and thereby resulting in eliminating the need for more electric grid capital infrastructure. Nonetheless, this is a philosophical argument regarding the value of solar to the electric grid that impacts the support for the various costs and benefits estimates. This has been a consistent dispute on these issues, including several years ago when the Sacramento Municipal Utility District (SMUD) attempted to impose a grid charge on rooftop solar customers in its service territories. SMUD ended up returning to the drawing board and instead adjusted rates for all customers.

Modifies terms for customer-generators when property is sold. This bill requires that any properties with NEM installations that are sold require the new customer to take service under the NBT, instead of the NEM tariff the solar system was originally connect to and prohibits this customer from the avoided cost calculator plus glidepath. Additionally, the new customer would be required to pay all non-bypassable charges applicable to customers who are NEM customers. Much of the opposition to this bill is in relation to this section of the proposed bill. Opponents argue that the “contract” for the NEM system was promised to be 20 years and this bill would destroy that contract. There is much dispute between the supporters of

this bill and the opponents of this bill as to whether the NEM tariff and related interconnection agreements constitute a contract. The opponents of this bill point to the interconnection agreement language that states a 20 year term and also the CPUC consumer protection guide that also references solar contract. In either case, NEM customers are interconnecting with expectations that their systems can continue to benefit from the NEM tariff for 20 years. Importantly, the CPUC opted to not change existing customers' NEM tariffs retroactively when it was updating NEM tariffs. Additionally, the new federal administration is taking many actions to further hamper the deployment of solar, including rolling back federal tax credits in the recently adopted budget reconciliation bill.

Exempts NEM customers from California Climate Credit. Additionally, other provisions of this bill would exempt customer-generators from the California Climate Credit – a twice yearly credit on electric IOU bills. As a result, any residential, small business, and energy-intensive trade-exposed customers who are customer-generators would all be exempted from the Climate Credit distribution. Several opponents to this bill also raise concerns with these provisions in this bill, including California Large Energy Consumers Association.

Two million NEM customers with a fraction in multifamily properties. Many of these customers are tenants in these buildings who benefit from the NEM tariffs but who have no say if the property is sold (the same can be said if they are renting a single family home). A number of organizations representing entities focused on multifamily housing have also raised concerns that this bill would unduly impact tenants many who are low-income. They share that multifamily properties are sold often, with an average hold period of 6.6 years. They also share that the CPUC has opted not to keep the NEM legacy period with the system rather than with the sale of the property.

Amendments. The author and Chair of the committee have agreed to amendments to restructure the bill. The contents of the bill concerning NEM tariffs (and related finding and declarations) would be removed from the bill. The language concerning the Climate Credit would be restructured so as to not single-out NEM customers, and instead exempt residential customers whose electric utility bills for the entire previous year cumulatively amount to less than \$300. The approach is likely to capture NEM customers who receive compensation from exporting their electricity or reduce their loads from the use of their systems, but also any other customer whose utility bills for the entire previous year do not total more than \$300. These could be customers with second homes or who aren't spending much time at home. In this regard, the Climate Credit (which for the large electrical corporations this past year was over \$100 for every residential customer) can be better targeted to those who might be in more need of support to reduce the costs

of their electric utility bill. In order to preserve customers' expectations when they connected to the NEM tariff, *the author and committee may wish to delete the contents of this bill. Instead, the author and committee may wish to amend this bill to replace the contents of the bill with language that would exempt any residential customer from the California Climate Credit if their electric utility bills for the previous year did not total more than \$300 cumulatively.*

Prior/Related Legislation

AB 745 (Irwin) of 2025, makes changes to the allocation distribution of the California Climate Credit by electrical corporations on residential customers' utility bills so that the credit is issued during specified summer months and based on volumetric electricity usage, instead of a lump-sum amount. The bill is pending before this committee.

AB 1104 (Pellerin) of 2025, authorizes a renewable electrical generation facility to be eligible to receive service pursuant to a NEM tariff if restitution has been made to the affected workers and all associated penalties and fines have been paid when there has been a willful violation of prevailing wage requirements. The bill is pending in the Senate Appropriations Committee.

SB 254 (Becker) of 2025, among its many provisions, requires the CPUC to require electrical corporations to distribute the California Climate Credit where low-income customers receive a higher amount and the credit is distributed during high demand months. The bill is pending in the Assembly Utilities and Energy Committee.

SB 1374 (Becker) of 2024, makes changes to a November 2023 decision by the CPUC concerning the NEM program, including the compensation treatment of electric utility customers of apartment buildings and public schools who install solar and other renewable generating facilities on the customer's side of the meter. The bill was vetoed by the Governor.

AB 1070 (Lorena Gonzalez, Chapter 662, Statutes of 2017) requires the Contractors State Licensing Board in collaboration with the CPUC to develop and make available a "solar energy system disclosure document" for solar energy customers, compile an annual report documenting consumer complaints relating to solar contractors and, develop standardized inputs and assumptions to be used in the calculation and presentation of electric utility bill savings to a consumer.

AB 327 (Perea, Chapter 611, Statutes of 2013) instituted several rate reforms and required the CPUC to adopt a successor NEM tariff no later than December 31, 2015.

SB 656 (Alquist, Chapter 369, Statutes of 1995) required every electric utility, including electrical corporations, which offer residential service to develop a standard tariff providing for NEM to eligible customer-generators. Applies only to those systems that produce up to 10 KW and would be restricted to 0.1 percent of a utility's peak demand.

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)
California African American Chamber of Commerce
California Asian Pacific Chamber of Commerce
California Federation of Labor Unions, AFL-CIO
California Hispanic Chambers of Commerce
California Wind Energy Association
Doty Bros Construction Company
Fix the Cost Shift
HW Power, Inc.
Meruelo Enterprises Inc.
Pacific Gas and Electric Company
Public Advocates Office
San Diego Gas and Electric Company
Southern California Edison
State Building and Construction Trades Council
The Utility Reform Network
Seven Individuals

OPPOSITION:

1000 Grandmothers for Future Generations
350: Bay Area Action, Bay Area Group, Conejo / San Fernando Valley, Humboldt, Sacramento, San Diego, Santa Barbara, SoCal Climate Action, South Bay Los Angeles, Southland Legislative Alliance, and Ventura County Climate Hub
4Terra Investments
ACT Now Bay Area
AFT Guild, Local 1931

Alameda County Democratic Party
Albany Climate Action Coalition
Aliados Health
American Bird Conservancy
Audubon California
Ban Sup
Bay Area Clean Air Coalition
Bay Area System Change Not Climate Change
Berkeley Electrification Working Group
Bowman Change, Inc.
California Alliance for Community Energy
California Association of Local Housing Finance Agencies
California Association of Realtors
California Building Industry Association
California Democratic Party Rural Caucus
California Democratic Renters Council
California Interfaith Power and Light
California Native Plant Society
California Public Interest Research Group
California Solar & Storage Association
Californians for Energy Choice
Californians for Western Wilderness
Center for Biological Diversity
Center for Community Energy
Center for Sustainable Energy
Change Begins With Me
Citizens' Climate Lobby, Santa Cruz Chapter
City of Berkeley
City of Huntington Beach
CleanEarth4Kids.org
Climate Action California
Climate Action Mendocino
Climate Breakthrough
Climate Changemakers
Climate Hawks Vote
Coachella Valley Housing Coalition
Coalition for Environmental Equity and Economics
Comite Pro Uno
Community Corporation of Santa Monica
Consejo De Federaciones Mexicanas
Consumer Watchdog
Contra Costa Health Services

Cool OC
Courageous Resistance and Indivisible of the Desert
Culver City Democratic Club
Davis United Methodist Church
Dean Democratic Club of Silicon Valley
Democratic Club of West Orange County
Democrats of Greater Irvine
EAH Housing
East Area Progressive Democrats
East Bay Housing Organizations
Ecology Center
Eden Housing
Elder Climate Action, NorCal
Elders Climate Action, SoCal
Environment California
Environmental Action
Environmental Justice Coalition for Water
Environmental Working Group
Environtees.org
Essex Property Trust
Fractracker Alliance
Fram Energy
Fresh Air Vallejo
Fresno Housing Authority
Fridays for Future Palo Alto
Glendale Environmental Coalition
Good Neighbor Steering Committee of Benicia
Green the Church
Greenbank Associates
Greenpeace USA
Grid Alternatives
Hammond Climate Solutions Foundation
Humboldt County Democratic Central Committee
Indivisibles: California Green Team, California StateStrong, Marin, Resisters
Contra Costa, San Jose, Santa Cruz County, Santa Cruz - Friends of the
Environment, and Ventura
Inspiration Transportation
KDF Communities, LLC
Local Clean Energy Alliance
Long Beach Alliance for Clean Energy
Long Beach Gray Panthers
Midpen Housing

Morongo Basin Conservation Association
Napa Climate Now!
Napa Valley Community Housing
National Core
Oil and Gas Action Network
Our City San Francisco
Pacific Environment
PearlX Infrastructure, LLC
Peninsula Interfaith Climate Action
Planning and Conservation League
Project Green Home
Reclaim Our Power!
Resources for Community Development
Rhoades Planning Group
Rooted in Resistance
San Diego Earthworks
San Francisco Bay Area Physicians for Social Responsibility
San Joaquin Urban Native Council
San Luis Obispo Mothers for Peace
San Mateo Climate Action Team
Santa Cruz Climate Action Network
Santa Monica Democratic Club
Scientist Rebellion Turtle Island West
SDRPU
Sierra Club California
SocioEnergetics Foundation
Solano County Democratic Central Committee
Solar Energy Industry Association
Solar Rights Alliance
Solar United Neighbors Action
Sonoma County Democratic Party
Stand.earth
Sunflower Alliance
Sustainable Marin
Sustainable Rossmoor
Sustainable Systems Research Foundation
Ten Strands
The Austin Group
The Climate Alliance
The Climate Center
The Climate Reality Project - Orange County
The Climate Reality Project - San Diego

Third ACT
Third ACT Bay Area
Third ACT SoCal
Torrance Democratic Club
UCSD Green New Deal
Undauntedk12
Unitarian Universalist Church in Redwood City
United Contractors
United Democrats of Southern Solano County
United Nations Association - East Bay
Urban Ecology Project
Vindium Real Estate
Vote Solar
Western Center on Law & Poverty, Inc.
ZeroW.org

OPPOSITION, Unless Amended:

Agricultural Council of California
Agricultural Energy Consumers Association
Alameda County Office of Education
California Association of School Business Officials
California Citrus Mutual
California Climate & Agricultural Network
California Cotton Growers Association
California Farm Bureau Federation
California Fresh Fruit Association
California Large Energy Consumers Association
California League of Food Producers
California Poultry Federation
California School Boards Association
California Tomato Growers Association
Coalition for Adequate School Housing
County of Fresno
Grower-shipper Association
Los Angeles Unified School District
Milk Producers Council
Nisei Farmers League
School Energy Coalition
Western Growers Association
Western Tree Nut Association
Wine Institute

ARGUMENTS IN SUPPORT: According to the Coalition of California Utility Employees and the California State Association of Electrical Workers:

One of the largest contributors to significantly increased electricity rates in recent years is the rooftop solar subsidy under net energy metering. PG&E's rates, for example, increased \$0.11 above inflation from 2018 to 2024. \$0.05 of the \$0.11 increase is from NEM. Californians need electricity bill relief. Fortunately, with AB 942, the Legislature can save electric ratepayers without rooftop solar an estimated \$1.3 billion in 2026 and \$58 billion from 2026 to 2043 by reducing the inequitable cost shift under NEM. ...It is beyond debate that continuing the NEM subsidy until 2043 is neither just nor reasonable. It is unjust, unreasonable and unsustainable for Californians to continue shoveling billions of dollars every year to an industry when it is no longer justified nor fair to non-solar customers, particularly when the burden falls hardest on low-income customers. AB 942 provides solutions to reduce the NEM cost shift and provide electricity bill relief to non-solar customers while continuing to provide generous incentives to solar customers through the NBT.

ARGUMENTS IN OPPOSITION: According to the California Realtors Association:

Homeowners who have invested in solar systems or who wish to purchase a home with solar systems should not be penalized for their commitment to clean energy and their efforts to lower their households' sky-rocketing electricity bills. Most California homeowners who invested in solar in California did so under long, typically 20-year contracts with their investor-owned utilities. These homeowners made a financial decision to invest in solar based on the NEM rules and the incentives in place at the time of installation. Many homeowners also were told or had representations made that solar would add value to their home, particularly at the time of sale, in addition to furthering clean energy goals. AB 942 undermines these expectations by altering the financial benefits of solar ownership at the time of sale, diminishing both the value of the solar investment and the home itself.

-- END --