
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 942 (Calderon) - Electricity: climate credits

Version: July 17, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: E., U. & C. 9 - 4

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would exclude residential customers from receiving the California Climate Credit if they are not enrolled in the California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance Program (FERA) program and their total electricity bills for the previous year were less than \$300.

Fiscal Impact:

- The California Public Utilities Commission (CPUC) estimates ongoing costs of about \$300,000 annually (ratepayer funds) to consider, through a proceeding, several aspects of how to implement the bill, as well as to introduce an additional factor into forecasting (i.e., the number of customers with less than \$300 total annual bills), which would need to be factored into the climate credit forecasts according to an approved method. Annually, CPUC would conduct additional analysis to investigate which customers and if those customers were disproportionality in DACs, Tribal, or other communities of concern, fell below the \$300 threshold. Further, the CPUC would need to determine if outcomes aligned with the Commission's and State's energy equity and affordability goals as well as the legislative intent of the bill.

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.

Proposed Law: This bill would exclude residential customers from receiving the California Climate Credit if they are not enrolled in the CARE or FERA program and their total electricity bills for the previous year were less than \$300.

Related Legislation:

AB 745 (Irwin) of 2025, would make 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.

AB 1104 (Pellerin) of 2025, would authorize 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.

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.

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.

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