

AMENDED IN SENATE MAY 16, 2005

AMENDED IN SENATE APRIL 25, 2005

AMENDED IN SENATE FEBRUARY 28, 2005

SENATE BILL

No. 1

Introduced by Senators Murray and Campbell

(Coauthors: Senators Alquist, Chesbro, Ducheny, and Kehoe)

(Coauthors: Assembly Members Bermudez, Chan, Huff, Laird, Leno,
Lieber, Maze, Pavley, and Wolk)

December 6, 2004

An act to *amend Section 25744 of*, to add Sections 25405.5 and 25405.6 to, and to add Chapter 8.8 (commencing with Section 25780) to Division 15 of, the Public Resources Code, and to *amend Section 379.6 of*, to add Sections 379.8, and 387.5 to, the Public Utilities Code, and to ~~amend Sections 73, 17053.84, and 23684 of the Revenue and Taxation Code~~, relating to solar energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1, as amended, Murray. Energy: renewable energy resources: Million Solar Roofs Initiative.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to expand and accelerate development of alternative sources of energy, including solar resources. Existing law requires the Energy Commission, until January 1, 2006, and to the extent that funds are appropriated for that purpose in the annual Budget Act, to implement a grant program to accomplish specified goals, including making solar energy systems cost competitive with alternate forms of energy.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical

corporations. The existing Public Utilities Act requires the PUC to require Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. The funds are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources. *Existing law requires that 17.5% of the money collected under the renewable energy public goods charge be used for a multiyear, consumer-based program to foster the development of emerging renewable technologies in distributed generation applications. Existing law requires that the funds be expended in accordance with a specified report of the Energy Commission to the Legislature, subject to certain requirements.*

Existing law requires the PUC, on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the Energy Commission, adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or superclean distributed generation resources. Pursuant to this requirement, the PUC has developed a self-generation incentive program to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability. Existing law requires the PUC, in consultation with the Energy Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004, subject to certain air emissions and efficiency standards.

This bill would establish the Million Solar Roofs Initiative, administered by the Energy Commission, with the goals of placing 1,000,000 solar energy systems, as defined, on new and existing residential and commercial customer sites, or its generation capacity equivalent of 3,000 megawatts, establishing a self-sufficient solar industry in 10 years, and placing solar energy systems on 50% of new home developments in 13 years. The bill would establish the Million Solar Roofs Initiative Trust Fund and would provide that, upon appropriation by the Legislature, moneys deposited into the fund may

be expended by the Energy Commission for purposes of carrying out the Million Solar Roofs Initiative. The program would require the Energy Commission to award incentives, pursuant to a declining schedule to be adopted by the Energy Commission, and would authorize certain other incentive programs, to support the installation of eligible solar energy systems. The bill would require the Energy Commission to establish *and revise* eligibility criteria for solar energy systems and to establish conditions for incentives. *The bill would require that electrical work to install the solar energy system be performed under contract by a contractor meeting certain licensure requirements.* The bill would require the Energy Commission to adopt guidelines governing the program at a publicly noticed meeting. *The bill would provide that the Million Solar Roofs Initiative program supplants that portion of the program to foster the development of emerging renewable technologies that encourages installation of residential and commercial photovoltaic solar energy systems. The bill would require that, upon implementation of the Million Solar Roofs Initiative, the photovoltaic portion of the emerging renewable technologies program be discontinued and the funding deposited into the Million Solar Roofs Initiative Trust Fund, at the same level as in the 2004–05 fiscal year, and would prohibit the Energy Commission from establishing any other program in addition to the Million Solar Roofs Initiative program, to encourage the increased installation of residential and commercial photovoltaic solar energy systems. The bill would require the Energy Commission to conduct random audits of solar energy systems to evaluate their operational performance. The bill would require the Energy Commission, on or before January 1, 2009, and every 3rd year thereafter, to submit an assessment of the success of the Million Solar Roofs Initiative program to the Legislature.*

This bill would require that the PUC, on or before February 1, 2006, and in consultation with the Energy Commission, issue an order opening a proceeding, or expanding the scope of an existing proceeding, to adopt, implement, and finance a comprehensive solar energy program to invest in and encourage the increased installation of residential and commercial solar energy systems, with the goal of ~~placing solar energy systems on 1,000,000 residential and commercial customer sites or its equivalent of 3,000 megawatts of solar generating capacity, by December 31, 2018~~ *adequately funding the Million Solar Roofs Initiative.* The bill would require funding of the Million Solar

Roofs Initiative to be an element of the program adopted by the PUC. The bill would require that the reasonable cost of the program be included in the distribution revenue requirements of electrical corporations. The bill would require that the program adopted by the PUC be a cost-effective investment by ratepayers in peak electricity generation capacity that enables ratepayers to recoup the cost of their investment through lower rates as a result of avoiding purchases of electricity at peak rates generated by traditional generation resources. The bill would require the PUC to adopt the program no later than January 1, 2007. *The bill would provide that the Million Solar Roofs Initiative program supplants that portion of the self-generation incentive program that encourages installation of residential and commercial photovoltaic solar energy systems and would require that, upon implementation of the Million Solar Roofs Initiative program by the Energy Commission, the photovoltaic portion of the self-generation incentive program be discontinued and the PUC order the funding to be deposited into the Million Solar Roofs Initiative Trust Fund, at the same level as in the 2004–05 fiscal year. The bill would prohibit the PUC from establishing any other program to encourage the increased installation of residential and commercial solar energy systems.*

This bill would require all local publicly owned electric utilities, as defined, to establish a solar roofs initiative consistent with the ~~program adopted and implemented by the PUC above requirements for funding the Million Solar Roofs Initiative program,~~ within a reasonable time after the PUC establishes any program for electrical corporations. All local publicly owned electric utilities would be required to report, on an annual basis, to its customers and to the Energy Commission, information relative to the utility's solar roofs initiative and would authorize the Energy Commission to establish guidelines for the information to be included in the utility's annual report. By imposing additional duties upon local publicly owned electric utilities, the bill would thereby impose a state-mandated local program.

(2) Existing law requires all electric service providers, as defined, to develop a standard contract or tariff providing for net energy metering, and to make this contract available to eligible customer generators, upon request. Existing law requires all electric service providers, upon request, to make available to eligible customer generators contracts for net energy metering on a

first-come-first-served basis until the time that the total rated generating capacity used by eligible customer generators exceeds 0.5% of the electric service provider's aggregate customer peak demand.

This bill would, notwithstanding these requirements, require the PUC to order electric service providers to expand the availability of net energy metering so that it is offered on a first-come-first-served basis until the time that the total rated generating capacity used by all eligible customer-generators exceeds 5% of the electric service provider's aggregate custom peak demand.

(3) Existing law requires the Energy Commission to expand and accelerate development of alternative sources of energy, including solar resources

This bill would require that beginning January 1, 2010, a seller of production homes, as defined, offer the option of a solar energy system, as defined, to all customers negotiating to purchase a new production home constructed on land meeting certain criteria and to disclose certain information. *The bill would require the Energy Commission to develop an offset program that allows a developer or seller of production homes to forego the offer requirement on one project, by installing solar energy systems generating specified amounts of electricity on other projects.* The bill would require that not later than July 1, 2009, the Energy Commission initiate a public proceeding and make findings if and under what conditions solar energy systems are to be required on new residential and nonresidential buildings.

~~(4) The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws. Existing law allows a credit against those taxes for taxable years beginning on and after January 1, 2004, and before January 1, 2006, for certain amounts relating to the use of solar or wind energy systems, as defined.~~

~~This bill would make that credit applicable for taxable years beginning on and after January 1, 2004, and before January 1, 2017.~~

~~(5) Existing property tax law, until January 1, 2006, provides that, for property tax lien dates for the 1999–2000 to 2004–05 fiscal years, inclusive, the term “newly constructed” as used in the California Constitution does not include the construction or addition of any active solar energy system, as defined.~~

~~This bill would continue that exclusion for an active solar energy system, as defined, until January 1, 2018, for property tax lien dates for the 1999–2000 to 2016–17 fiscal years, inclusive. By requiring local taxing authorities to perform duties with regard to the continuation of the active solar energy system exclusion, the bill would impose a state-mandated local program.~~

~~(6)–~~

(4) Under existing law, a violation of the Public Utilities Act or an order or direction of the PUC is a crime.

Various provisions of this bill are within the act and require action by the PUC to implement the bill’s requirements. Because a violation of those provisions or of PUC actions to implement those provisions would be a crime, this bill would impose a state-mandated local program by creating new crimes.

~~(7)–~~

(5) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 25405.5 is added to the Public
2 Resources Code, to read:
3 25405.5. (a) As used in this section, the following terms have
4 the following meanings:
5 (1) “kW” means kilowatts or 1,000 watts, as measured from
6 the alternating current side of the solar energy system inverter
7 consistent with Section 223 of Title 15 of the United States Code.
8 (2) “Production home” means a single family residence
9 constructed as part of a development of at least 50 homes per
10 project that is intended or offered for sale.
11 (3) “Solar energy system” means a photovoltaic solar collector
12 or other photovoltaic solar energy device that has a primary
13 purpose of providing for the collection and distribution of solar
14 energy for the generation of electricity, and that produces at least

1 1 kW, but not more than 1 megawatt, alternating current rated
2 peak electricity.

3 (b) A seller of production homes shall offer a solar energy
4 system option to all customers that enter into negotiations to
5 purchase a new production home constructed on land for which
6 an application for a tentative subdivision map has been deemed
7 complete on or after January 1, 2010, and disclose the following:

8 (1) The total installed cost of the solar energy system option.

9 (2) The estimated cost savings associated with the solar energy
10 system option, as determined by the commission pursuant to
11 Chapter 8.8 (commencing with Section 25780) of Division 15.

12 (c) *The State Energy Resources Conservation and*
13 *Development Commission shall develop an offset program that*
14 *allows a developer or seller of production homes to forego the*
15 *offer requirement of this section on one project, by installing*
16 *solar energy systems generating specified amounts of electricity*
17 *on other projects. The amount of electricity required to be*
18 *generated from solar energy systems used as an offset pursuant*
19 *to this subdivision, shall be equal to the amount of electricity*
20 *generated by solar energy systems installed on a similarly sized*
21 *project within that climate zone, assuming 20 percent of the*
22 *prospective buyers would have installed solar energy systems.*

23 SEC. 2. Section 25405.6 is added to the Public Resources
24 Code, to read:

25 25405.6. Not later than July 1, 2006, the commission shall
26 initiate a public proceeding and make findings if and under what
27 conditions solar energy systems shall be required on new
28 residential and new nonresidential buildings, including the
29 establishment of numerical targets. For purposes of this section,
30 a solar energy system means a photovoltaic solar collector or
31 other photovoltaic solar energy device that has a primary purpose
32 of providing for the collection and distribution of solar energy for
33 the generation of electricity.

34 SEC. 3. *Section 25744 of the Public Resources Code is*
35 *amended to read:*

36 25744. (a) Seventeen and one-half percent of the money
37 collected pursuant to the renewable energy public goods charge
38 shall be used for a multiyear, consumer-based program to foster
39 the development of emerging renewable technologies in
40 distributed generation applications.

1 (b) Any funds used for emerging technologies pursuant to this
2 section shall be expended, *except as provided in subdivisions (c)*
3 *and (d)*, in accordance with the report, subject to all of the
4 following requirements:

5 (1) Funding for emerging technologies shall be provided
6 through a competitive, market-based process that shall be in
7 place for a period of not less than five years, and shall be
8 structured so as to allow eligible emerging technology
9 manufacturers and suppliers to anticipate and plan for increased
10 sale and installation volumes over the life of the program.

11 (2) The program shall provide monetary rebates, buydowns, or
12 equivalent incentives, subject to subparagraph (C), to purchasers,
13 lessees, lessors, or sellers of eligible electricity generating
14 systems. Incentives shall benefit the end-use consumer of
15 renewable generation by directly and exclusively reducing the
16 purchase or lease cost of the eligible system, or the cost of
17 electricity produced by the eligible system. Incentives shall be
18 issued on the basis of the rated electrical generating capacity of
19 the system measured in watts, or the amount of electricity
20 production of the system, measured in kilowatthours. Incentives
21 shall be limited to a maximum percentage of the system price, as
22 determined by the commission.

23 (3) Eligible distributed emerging technologies are
24 photovoltaic, solar thermal electric, fuel cell technologies that
25 utilize renewable fuels, and wind turbines of not more than 50
26 kilowatts rated electrical generating capacity per customer site,
27 and other distributed renewable emerging technologies that meet
28 the emerging technology eligibility criteria established by the
29 commission. Eligible electricity generating systems are intended
30 primarily to offset part or all of the consumer's own electricity
31 demand, and shall not be owned by local publicly owned electric
32 utilities, nor be located at a customer site that is not receiving
33 distribution service from an electrical corporation that is subject
34 to the renewable energy public goods charge and contributing
35 funds to support programs under this chapter. All eligible
36 electricity generating system components shall be new and
37 unused, shall not have been previously placed in service in any
38 other location or for any other application, and shall have a
39 warranty of not less than five years to protect against defects and
40 undue degradation of electrical generation output. Systems and

1 their fuel resources shall be located on the same premises of the
2 end-use consumer where the consumer's own electricity demand
3 is located, and all eligible electricity generating systems shall be
4 connected to the utility grid in California. The commission may
5 require eligible electricity generating systems to have meters in
6 place to monitor and measure a system's performance and
7 generation. Only systems that will be operated in compliance
8 with applicable law and the rules of the Public Utilities
9 Commission shall be eligible for funding.

10 (4) The commission shall limit the amount of funds available
11 for any system or project of multiple systems and reduce the
12 level of funding for any system or project of multiple systems
13 that has received, or may be eligible to receive, any government
14 or utility funds, incentives, or credit.

15 (5) In awarding funding, the commission may provide
16 preference to systems that provide tangible demonstrable benefits
17 to communities with a plurality of minority or low-income
18 populations.

19 (6) In awarding funding, the commission shall develop and
20 implement eligibility criteria and a system that provides
21 preference to systems based upon system performance, taking
22 into account factors, including, but not limited to, shading,
23 insulation levels, and installation orientation.

24 (7) At least once annually, the commission shall publish and
25 make available to the public the balance of funds available for
26 emerging renewable energy resources for rebates, buydowns, and
27 other incentives for the purchase of these resources.

28 (c) Notwithstanding Section 399.6 of the Public Utilities Code,
29 the commission may expend, until December 31, 2008, up to
30 sixty million dollars (\$60,000,000) of the funding allocated to the
31 Renewable Resources Trust Fund for the program established in
32 this section, subject to the repayment requirements of subdivision
33 (f) of Section 25751.

34 *(d) Notwithstanding Section 399.6 of the Public Utilities Code*
35 *and subdivision (b), the Million Solar Roofs Initiative program*
36 *shall supplant that portion of the program to foster the*
37 *development of emerging renewable technologies that*
38 *encourages installation of residential and commercial*
39 *photovoltaic solar energy systems. Upon implementation of the*
40 *Million Solar Roofs Initiative program pursuant to Chapter 8.8*

1 *(commencing with Section 25780), the photovoltaic portion of the*
2 *emerging renewable technologies program shall be discontinued*
3 *and the funding deposited into the Million Solar Roofs Initiative*
4 *Trust Fund, at the same level as in the 2004–05 fiscal year. The*
5 *commission shall not establish any other program to encourage*
6 *the increased installation of residential and commercial*
7 *photovoltaic solar energy systems.*

8 ~~SEC. 3.—~~

9 SEC. 4. Chapter 8.8 (commencing with Section 25780) is
10 added to Division 15 of the Public Resources Code, to read:

11

12 CHAPTER 8.8. MILLION SOLAR ROOFS INITIATIVE

13

14 25780. The Legislature finds and declares all of the
15 following:

16 (a) California has a pressing need to procure a steady supply
17 of affordable and reliable peak electricity.

18 (b) Solar generated electricity is uniquely suited to
19 California's needs because it produces electricity when
20 California needs it most, during the peak demand hours in
21 summer afternoons when the sun is brightest and air conditioners
22 are running at capacity.

23 (c) Procuring solar electric generation capacity to meet peak
24 electricity demand increases system reliability and decreases
25 California's dependence on unstable fossil fuel supplies.

26 (d) Solar generated electricity diversifies California's energy
27 portfolio. California currently relies on natural gas for the bulk of
28 its electricity generation needs. Increasing energy demands place
29 increasing pressure on limited natural gas supplies and threaten
30 to raise costs.

31 (e) More than 150,000 homes will be built annually in
32 California in the coming years, challenging energy reliability and
33 affordability.

34 (f) Investing in residential and commercial solar electricity
35 generation installations today will lower the cost of solar
36 generated electricity for all Californians in the future. In 10
37 years, solar peak electric generation can be procured without the
38 need for rebates.

39 (g) Increasing California's solar electricity generation market
40 will also bring additional manufacturing, installation, and sales

1 jobs to the state at a higher rate than most conventional energy
2 production sources.

3 (h) Funding a Million Solar Roofs Initiative is a cost-effective
4 investment by ratepayers in peak electricity generation capacity
5 and ratepayers will recoup the cost of their investment through
6 lower rates as a result of avoiding purchases of electricity at peak
7 rates, with additional system reliability and pollution reduction
8 benefits.

9 (i) Solar energy systems provide substantial energy reliability
10 and pollution reduction benefits. Solar energy systems also
11 diversify our energy supply and thereby reduce our dependence
12 on imported fossil fuels.

13 25781. As used in this chapter, the following terms have the
14 following meanings:

15 (a) “kW” means kilowatts or 1,000 watts, as measured from
16 the alternating current side of the solar energy system inverter
17 consistent with Section 223 of Title 15 of the United States Code.

18 (b) “kWh” means kilowatthours, as measured by the number
19 of kilowatts generated in an hour.

20 (c) “MW” means megawatts or 1,000,000 watts.

21 (d) “Solar energy system” means a photovoltaic solar collector
22 or other photovoltaic solar energy device that has a primary
23 purpose of providing for the collection and distribution of solar
24 electrical energy for the generation of electricity, and that
25 produces at least 1 kW alternating current rated peak electricity.

26 (e) “Million Solar Roofs Initiative” means the program
27 established by this chapter.

28 25782. (a) (1) The commission shall develop and implement
29 a multiyear Million Solar Roofs Initiative to provide funding and
30 support to foster the installation of solar energy systems on new
31 and existing residential and commercial customer sites in
32 California. The goals of this program are the placement of solar
33 energy systems on 1,000,000 residential and commercial sites, or
34 its generation capacity equivalent of 3,000 MW, the
35 establishment of a self-sufficient solar industry in which solar
36 energy systems are a viable mainstream option for both homes
37 and businesses in 10 years, and the placement of solar energy
38 systems on 50 percent of new homes in 13 years.

39 (2) *The Million Solar Roofs Initiative program shall supplant*
40 *that portion of the program to foster the development of*

1 *emerging renewable technologies funded pursuant to Section*
2 *25744, that encourages installation of residential and*
3 *commercial photovoltaic solar energy systems. Upon*
4 *implementation of the Million Solar Roofs Initiative program, the*
5 *photovoltaic portion of the emerging renewable technologies*
6 *program shall be discontinued and the funding deposited into the*
7 *Million Solar Roofs Initiative Trust Fund, at the same level as in*
8 *the 2004–05 fiscal year.*

9 *(3) The commission shall not establish any other program in*
10 *addition to the program established pursuant to this chapter, to*
11 *encourage the increased installation of residential and*
12 *commercial photovoltaic solar energy systems.*

13 (b) All funds used for the Million Solar Roofs Initiative shall
14 be expended in accordance with the following:

15 (1) The commission shall award monetary incentives for
16 eligible solar energy systems not to exceed the existing level of
17 incentive in effect on January 1, 2006. The incentive level shall
18 decline each year thereafter at a rate of no less than 7 percent per
19 year and shall be zero as of December 31, 2016. The commission
20 shall adopt and publish a schedule of declining incentive levels
21 no less than 60 days in advance of the first decline in incentive
22 levels. *The commission may develop incentives based upon the*
23 *output of electricity from the system, provided those incentives*
24 *are consistent with the declining incentive levels of this*
25 *paragraph.*

26 (2) *On or before January 1, 2007, the commission shall adopt*
27 *revisions to the eligibility criteria for solar energy systems,*
28 *including design, installation, and electricity output standards or*
29 *incentives.*

30 ~~(2)~~

31 (3) Notwithstanding paragraph (1), the commission may
32 increase the incentive level by not more than 50 percent above
33 the maximum incentive level established pursuant to paragraph
34 (1) for solar energy systems that are installed on “zero energy
35 homes” or “zero energy commercial structures.” Prior to an
36 increase in the incentive level, the commission shall adopt
37 definitions for “zero energy homes” and “zero energy
38 commercial structures” through a public process, including at
39 least one public hearing with not less than 30 days’ notice.

40 ~~(3)~~

1 (4) Notwithstanding paragraph (1), the commission may
2 increase the incentive level by not more than 25 percent above
3 the maximum incentive level established pursuant to paragraph
4 (1) for solar energy systems that are installed on homes or
5 commercial structures that exceed the commission's established
6 building standards by a specified percentage as determined by the
7 commission.

8 ~~(4)~~

9 (5) Awards shall be made for the installation of eligible solar
10 energy systems on new or existing residential and commercial
11 customer sites that are or will be receiving electrical distribution
12 service from an electrical corporation that is contributing funds to
13 support the Million Solar Roofs Initiative pursuant to Section
14 379.8 of the Public Utilities Code.

15 ~~(5)~~

16 (6) Awards shall not be made for eligible solar energy systems
17 installed on the premises of individuals or entities that are not
18 contributing funds to support the Million Solar Roofs Initiative.

19 (c) The commission shall establish eligibility criteria for solar
20 energy systems, including the following:

21 (1) The solar energy system is intended primarily to offset part
22 or all of the consumer's own electricity demand.

23 (2) All components in the solar energy system are new and
24 unused, and have not previously been placed in service in any
25 other location or for any other application.

26 (3) The solar energy system has a warranty of not less than 10
27 years to protect against defects and undue degradation of
28 electrical generation output.

29 (4) The solar energy system is located on the same premises of
30 the end-use consumer where the consumer's own electricity
31 demand is located.

32 (5) The solar energy system is connected to the electrical
33 corporation's electrical distribution system within the state.

34 (6) The solar energy system has meters or other devices in
35 place to monitor and measure the system's performance and the
36 quantity of electricity generated by the system.

37 (7) *The electrical work to install the solar energy system is*
38 *performed under contract by a California contractor with an*
39 *active C-10 license, in accordance with rules and regulations*
40 *adopted by the Contractors' State License Board.*

1 (8) *The solar energy system is installed in conformance with*
2 *the manufacturer's specifications and in compliance with all*
3 *applicable electrical and building code standards.*

4 (d) The commission shall establish conditions on incentives
5 that require or encourage all of the following:

6 (1) Appropriate siting and high quality installation of the solar
7 energy system by developing installation guidelines that
8 maximize the performance of the system and prevent qualified
9 systems from being inefficiently or inappropriately installed. The
10 goal of this paragraph is to achieve efficient installation of solar
11 energy systems to promote the greatest energy production per
12 ratepayer dollar.

13 (2) Optimal solar energy system performance during periods
14 of peak electricity demand, including the use of advanced
15 metering systems, onsite performance meters, dispatchable
16 battery backup systems, and performance based incentives.

17 (3) Appropriate energy efficiency improvements in the new or
18 existing home or commercial structure where the solar energy
19 system is installed.

20 (4) Rate equipment, components, and systems to assure
21 reasonable performance and to develop standards that provide for
22 compliance with the minimum ratings.

23 (e) The commission may limit the amount of funds available
24 for any system or project of multiple systems and reduce the
25 level of funding for any system or project of multiple systems
26 that has received, or may be eligible to receive, any other
27 government or utility funding, incentive, or credit, except for any
28 income or property tax credit or exemption.

29 (f) ~~The commission may~~ *Notwithstanding subdivision (e), the*
30 *commission shall provide proportional program support, not to*
31 *exceed 10 percent of the overall funds for the Million Solar*
32 *Roofs Initiative, for installation of solar energy systems on*
33 *affordable housing projects undertaken pursuant to Section*
34 *50052.5, 50053, or 50199.14 of the Health and Safety Code. If*
35 *deemed appropriate in consultation with the California Tax*
36 *Credit Allocation Committee, the commission may establish a*
37 *revolving loan or loan guarantee program for affordable housing*
38 *projects consistent with the requirements of Chapter 5.3*
39 *(commencing with Section 25425).*

1 (g) Pursuant to this chapter, the commission may provide
2 incentives in the form of a monetary incentive or its equivalent to
3 purchasers, lessees, lessors, or sellers of an eligible solar energy
4 system. The incentive shall benefit the end-use consumer by
5 directly and exclusively reducing the purchase or lease cost of
6 the eligible solar energy system, or the cost of electricity
7 produced by the eligible solar energy system. Incentives shall be
8 issued on the basis of the rated electrical capacity of the system
9 measured in watts, or in the electricity production of the system,
10 measured in ~~kW~~ *kWh*, as determined by the commission.

11 25783. In administering the Million Solar Roofs Initiative,
12 the commission shall do all the following:

13 (a) Examine and implement, to the extent appropriate,
14 financing options that could lower solar energy system financing
15 costs to residential and commercial customers. The commission
16 shall examine wholesale and retail mortgage markets, and other
17 issues that it deems appropriate.

18 (b) Acquire, if the commission determines it necessary,
19 appropriate technical and administrative services or expertise to
20 support the Million Solar Roofs Initiative. The commission may
21 award contracts to develop or administer all or a portion of the
22 Million Solar Roofs Initiative.

23 (c) Publish educational materials designed to demonstrate how
24 builders may incorporate solar energy systems during
25 construction as well as energy efficiency measures that best
26 complement solar energy systems.

27 (d) Develop and publish the estimated annual electrical
28 generation and savings for solar energy systems. The estimates
29 shall vary by climate zone, type of system, size, lifecycle costs,
30 electricity prices, and other factors the commission determines to
31 be relevant to a consumer when making a purchasing decision.

32 (e) Provide assistance to builders and contractors in support of
33 the Million Solar Roofs Initiative. The assistance may include
34 technical workshops, training, educational materials, and related
35 research.

36 (f) Publish, and make available to the public, at least once
37 annually, the balance of funds available ~~for the~~ *in the* Million
38 Solar Roofs Initiative *Trust Fund, the cost of the program, the*
39 *photovoltaic generating capacity installed*, and the percentage of
40 new and existing residential and commercial customer sites that

1 are equipped with solar energy systems funded by the Million
2 Solar Roofs Initiative. *This information shall be including in the*
3 *report to the Legislature made pursuant to subdivision (i).*

4 (g) *The commission shall annually conduct random audits of*
5 *solar energy systems to evaluate their operational performance.*

6 (h) *The commission, in consultation with the Public Utilities*
7 *Commission, shall evaluate the costs and benefits of having an*
8 *increased number of operational solar energy systems as a part*
9 *of the electrical system with respect to their impact upon the*
10 *distribution, transmission, and supply of electricity, using the best*
11 *available load profiling and distribution operations data from*
12 *the Public Utilities Commission, local publicly owned electric*
13 *utilities, and electrical corporations, and performance audits of*
14 *installed solar energy systems.*

15 (i) *On or before January 1, 2009, and every third year*
16 *thereafter, the commission shall submit to the Legislature an*
17 *assessment of the success of the Million Solar Roofs Initiative*
18 *program. That assessment shall include the number of residential*
19 *and commercial sites that have installed solar energy systems,*
20 *the electrical generating capacity of the installed solar energy*
21 *systems, the cost of the program, total electrical system benefits,*
22 *including the effect on electrical service rates, environmental*
23 *benefits, how the program affects the operation and reliability of*
24 *the electrical grid, how the program has affected peak demand*
25 *for electricity, the progress made toward reaching the goals of*
26 *the program, whether the program is on schedule to meet the*
27 *program goals, and recommendations for improving the program*
28 *to meet its goals.*

29 ~~(g) Develop an offset program that allows a developer or seller~~
30 ~~of production homes to forego the offer requirement of Section~~
31 ~~25405.5 on one project, by installing solar energy systems~~
32 ~~generating specified amounts of electricity on other projects. The~~
33 ~~amount of electricity required to be generated from solar energy~~
34 ~~systems used as an offset pursuant to this subdivision, shall be~~
35 ~~equal to the amount of electricity generated by solar energy~~
36 ~~systems installed on a similarly sized project within that climate~~
37 ~~zone, assuming 20 percent of the prospective buyers would have~~
38 ~~installed solar energy systems.~~

39 25784. (a) The commission shall adopt guidelines governing
40 the Million Solar Roofs Initiative authorized under this chapter,

1 at a publicly noticed meeting offering all interested parties an
2 opportunity to comment. Not less than 30 days' public notice
3 shall be given of the meeting required by this section, before the
4 commission initially adopts guidelines. Substantive changes to
5 the guidelines shall not be adopted without at least 10 days'
6 written notice to the public. Notwithstanding any other provision
7 of law, any guidelines adopted pursuant to this chapter shall be
8 exempt from the requirements of Chapter 3.5 (commencing with
9 Section 11340) of Part 1 of Division 3 of Title 2 of the
10 Government Code.

11 (b) Funds to further the purposes of this chapter may be
12 committed for multiple years.

13 25785. (a) The Million Solar Roofs Initiative Trust Fund is
14 hereby created in the State Treasury.

15 (b) The money in the fund may be expended to implement and
16 support the Million Solar Roofs Initiative pursuant to this chapter
17 upon appropriation by the Legislature in the annual Budget Act.

18 (c) Revenues collected by electrical corporations pursuant to
19 Section 379.8 of the Public Utilities Code shall be transmitted to
20 the commission at least quarterly for deposit in the Million Solar
21 Roofs Initiative Trust Fund. The Treasurer shall immediately
22 deposit money received pursuant to this section into the Million
23 Solar Roofs Initiative Trust Fund for the current calendar year.

24 (d) Upon appropriation by the Legislature and notification by
25 the commission, the Controller shall pay all awards of the money
26 in the fund for purposes enumerated in this chapter. The
27 eligibility of an award shall be determined solely by the
28 commission based on the procedures it adopts under this chapter.
29 Based on the eligibility of an award, the commission shall also
30 establish the need for a multiyear commitment to any particular
31 award and so advise the Department of Finance. An eligible
32 award submitted by the commission to the Controller shall be
33 accompanied by a summary description of how payment of the
34 award furthers the purposes enumerated in this chapter, and an
35 accounting of future costs associated with any award or group of
36 awards known to the commission to represent a portion of a
37 multiyear funding commitment.

38 *SEC. 5. Section 379.6 of the Public Utilities Code is amended*
39 *to read:*

1 379.6. (a) The commission, in consultation with the State
2 Energy Resources Conservation and Development Commission,
3 shall administer, until January 1, 2008, the self-generation
4 incentive program for distributed generation resources originally
5 established pursuant to Chapter 329 of the Statutes of 2000.
6 Except as provided in ~~subdivision (b)~~ subdivisions (b) and (c),
7 the program shall be administered in the same form as it existed
8 on January 1, 2004.

9 (b) Eligibility for the self-generation incentive program's level
10 3 incentive category shall be subject to the following conditions:

11 (1) Commencing January 1, 2005, all combustion-operated
12 distributed generation projects using fossil fuel shall meet an
13 oxides of nitrogen (NO_x) emissions rate standard of 0.14 pounds
14 per megawatthour.

15 (2) Commencing January 1, 2007, all combustion-operated
16 distributed generation projects using fossil fuel shall meet a NO_x
17 emissions rate standard of 0.07 pounds per megawatthour and a
18 minimum efficiency of 60 percent. A minimum efficiency of 60
19 percent shall be measured as useful energy output divided by fuel
20 input. The efficiency determination shall be based on 100 percent
21 load.

22 (3) Combined heat and power units that meet the 60 percent
23 efficiency standard may take a credit to meet the applicable NO_x
24 emissions standard of 0.14 pounds per megawatthour or 0.07
25 pounds per megawatthour. Credit shall be at the rate of one
26 megawatthour for each 3.4 million British thermal units (Btus) of
27 heat recovered.

28 (4) Notwithstanding paragraphs (1) and (2), a project that does
29 not meet the applicable NO_x emission standard is eligible if it
30 meets both of the following requirements:

31 (A) The project operates solely on waste gas. The commission
32 shall require a customer that applies for an incentive pursuant to
33 this paragraph to provide an affidavit or other form of proof, that
34 specifies that the project shall be operated solely on waste gas.
35 Incentives awarded pursuant to this paragraph shall be subject to
36 refund and shall be refunded by the recipient to the extent the
37 project does not operate on waste gas. As used in this paragraph,
38 "waste gas" means natural gas that is generated as a byproduct of
39 petroleum production operations and is not eligible for delivery
40 to the utility pipeline system.

1 (B) The air quality management district or air pollution control
2 district, in issuing a permit to operate the project, determines that
3 operation of the project will produce an onsite net air emissions
4 benefit, compared to permitted onsite emissions if the project
5 does not operate. The commission shall require the customer to
6 secure the permit prior to receiving incentives.

7 (c) In administering the self-generation incentive program, the
8 commission may adjust the amount of rebates, include other
9 ultraclean and low-emission distributed generation technologies,
10 as defined in Section 353.2, and evaluate other public policy
11 interests, including, but not limited to, ratepayers, and energy
12 efficiency and environmental interests. *The Million Solar Roofs*
13 *Initiative program shall supplant that portion of the*
14 *self-generation incentive program that encourages installation of*
15 *residential and commercial photovoltaic solar energy systems.*
16 *Upon implementation of the Million Solar Roofs Initiative*
17 *program by the State Energy Resources Conservation and*
18 *Development Commission pursuant to Chapter 8.8 (commencing*
19 *with Section 25780) of Division 15 of the Public Resources Code,*
20 *the photovoltaic portion of the self-generation incentive program*
21 *shall be discontinued and the commission shall order the funding*
22 *be deposited into the Million Solar Roofs Initiative Trust Fund, at*
23 *the same level as in the 2004–05 fiscal year, as part of the*
24 *proceeding to adopt, implement, and finance a comprehensive*
25 *solar energy program pursuant to Section 379.8. The commission*
26 *shall not establish any other program to encourage the increased*
27 *installation of residential and commercial solar energy systems.*

28 ~~SEC. 4.—~~

29 SEC. 6. Section 379.8 is added to the Public Utilities Code, to
30 read:

31 379.8. (a) *As used in this section, the following terms have*
32 *the following meanings:*

33 (1) *“kW” means kilowatts or 1,000 watts, as measured from*
34 *the alternating current side of the solar energy system inverter*
35 *consistent with Section 223 of Title 15 of the United States Code.*

36 (2) *“kWh” means kilowatthours, as measured by the number*
37 *of kilowatts generated in an hour.*

38 (3) *“MW” means megawatts or 1,000,000 watts.*

39 (4) *“Solar energy system” means a photovoltaic solar*
40 *collector or other photovoltaic solar energy device that has a*

1 *primary purpose of providing for the collection and distribution*
2 *of solar electrical energy for the generation of electricity, and*
3 *that produces at least 1 kW alternating current rated peak*
4 *electricity.*

5 (b) Notwithstanding any other law, on or before February 1,
6 2006, the commission, in consultation with the State Energy
7 Resources Conservation and Development Commission, shall
8 initiate a new proceeding or expand the scope of an existing
9 proceeding to adopt, implement, and finance a comprehensive
10 solar energy program to invest in and encourage the increased
11 installation of residential and commercial solar energy systems in
12 the state. The goal of the program is ~~placing solar energy systems~~
13 ~~on one million residential and commercial customer sites or its~~
14 ~~equivalent of 3,000 MW solar generating capacity in the state by~~
15 ~~December 31, 2018.~~ *to adequately fund the Million Solar Roofs*
16 *Initiative established pursuant to Chapter 8.8 (commencing with*
17 *Section 25780) of Division 15 of the Public Resources Code.*

18 ~~(b)~~

19 (c) The commission's proceeding shall do all of the following:

20 (1) ~~Evaluate current programs of the commission and the State~~
21 ~~Energy Resources Conservation and Development Commission~~
22 ~~to determine~~ *Order that funding for the photovoltaic portion of*
23 *the self-generation incentive program for distributed generation*
24 *be deposited into the Million Solar Roofs Initiative Trust Fund, at*
25 *the same level as in the 2004–05 fiscal year.*

26 (2) *Determine* the level of additional funding needed to
27 adequately support the goal of placing solar energy systems on
28 one million residential and commercial customer sites or its
29 equivalent of 3,000 MW solar generating capacity in the state by
30 December 31, 2018.

31 ~~(2)~~

32 (3) Encourage participation by a broad and diverse range of
33 interests from all areas of the state, and interested state entities.

34 ~~(e)~~

35 (d) The commission shall include the reasonable cost of the
36 program in the distribution revenue requirements of electrical
37 corporations.

38 ~~(d)~~

39 (e) Notwithstanding any other provision of law, any charge
40 imposed to fund the ~~programs~~ *program* adopted and

1 implemented pursuant to this section shall be imposed upon all
2 customers *not participating in the California Alternate Rates for*
3 *Energy or CARE program as provided on paragraph (2)*,
4 including those residential customers subject to the rate cap
5 required by Section 80110 of the Water Code for existing
6 baseline quantities or usage up to 130 percent of existing baseline
7 quantities of electricity.

8 *The costs of the program adopted and implemented pursuant to*
9 *this section may not be recovered from customers participating*
10 *in the California Alternate Rates for Energy or CARE program*
11 *established pursuant to Section 739.1, except to the extent that*
12 *program costs are recovered out of the nonbypassable system*
13 *benefits charge authorized pursuant to Section 399.8.*

14 ~~(e)~~

15 (f) The commission shall adopt the program no later than
16 January 1, 2007.

17 ~~(f)~~

18 (g) The program adopted by the commission pursuant to this
19 section, shall do all of the following:

20 (1) Be a cost-effective investment by ratepayers in peak
21 electricity generation capacity that enables ratepayers to recoup
22 the cost of their investment through lower rates as a result of
23 avoiding purchases of electricity at peak rates generated by
24 traditional powerplants and peaker generation units, with
25 additional system reliability and pollution reduction benefits.

26 (2) Utilize the most cost-effective administrative mechanism
27 to adequately accomplish the goals of the program.

28 (3) Provide a predictable long-term funding mechanism
29 sufficient to encourage adequate investment by the solar industry.

30 (4) Make time-variant pricing available for all ratepayers with
31 a solar energy system, upon adoption of time-variant pricing
32 tariffs pursuant to Section 760. The commission shall structure
33 any time-variant pricing so that ratepayers receive due value for
34 their contribution to the purchase of solar energy systems and
35 customers with solar energy systems continue to have an
36 incentive to use electricity efficiently.

37 (5) Require San Diego Gas and Electric Company, Southern
38 California Edison Company, and Pacific Gas and Electric
39 Company to each designate at least one employee to be
40 accountable for solar energy system installations and operations.

1 (6) Require San Diego Gas and Electric Company, Southern
2 California Edison Company, and Pacific Gas and Electric
3 Company to each monitor and report key solar program
4 performance and progress data to the commission in a clearly
5 identified place on the utility's Internet Web site.

6 (7) Consider energy efficiency and demand side management
7 options, in addition to solar energy system procurement, for new
8 residential and commercial construction.

9 (8) Notwithstanding Section 2827, require an electric service
10 provider to expand the availability of net energy metering so that
11 it is offered on a first-come-first-served basis until the time that
12 the total rated generating capacity used by all eligible
13 customer-generators exceeds 5 percent of the electric service
14 provider's aggregate customer peak demand. However, the net
15 metering cap shall not exceed 2 percent until the commission has
16 established an appropriate net metering time-variant rate design
17 that considers the costs to all net metering participants and
18 ratepayers as a whole and that considers the recovery of the fixed
19 costs of providing distribution service to customers. The
20 commission shall monitor the level of net energy metering for
21 each electrical corporation to ensure that the cap is increased in a
22 timely manner as needed to further the objectives of this section.

23 ~~(9) The commission may impose the requirements of this~~
24 ~~subdivision on an electrical corporation in addition to those~~
25 ~~specified, when and to the extent the commission determines this~~
26 ~~to be appropriate.~~

27 ~~(g)~~

28 (h) The program adopted by the commission pursuant to this
29 section shall also include elements for the purpose of funding a
30 Million Solar Roofs Initiative by the State Energy Resources
31 Conservation and Development Commission pursuant to Chapter
32 8.8 (commencing with Section 25780) of Division 15 of the
33 Public Resources Code. These program elements shall exclude
34 customers participating in the State Energy Resources
35 Conservation and Development Commission's Million Solar
36 Roofs Initiative from the rate cap for residential customers for
37 existing baseline quantities or usage by those customers of up to
38 130 percent of existing baseline quantities, as required by Section
39 80110 of the Water Code.

1 (i) Upon implementation of the Million Solar Roofs Initiative
 2 program by the State Energy Resources Conservation and
 3 Development Commission pursuant to Chapter 8.8 (commencing
 4 with Section 25780) of Division 15 of the Public Resources Code,
 5 the photovoltaic portion of the self-generation incentive program
 6 shall be discontinued. The commission shall not establish any
 7 other program to encourage the increased installation of
 8 residential and commercial photovoltaic solar energy systems.

9 ~~SEC. 5.—~~

10 SEC. 7. Section 387.5 is added to the Public Utilities Code, to
 11 read:

12 387.5. (a) The governing body of a local publicly owned
 13 electric utility, as defined in Section 9604, shall establish a
 14 comprehensive solar roofs initiative consistent with ~~programs~~
 15 ~~adopted and implemented by the commission pursuant to Section~~
 16 379.8.

17 (b) The level of expenditure for program elements shall be
 18 consistent with those established for the three largest electrical
 19 corporations in California, and shall be at a rate ~~proportional~~
 20 similar to the size of the ratepayer base served by the local
 21 publicly owned electric utility.

22 (c) A local publicly owned electric utility shall establish the
 23 program within a reasonable period of time, but not to exceed six
 24 months, after the commission adopts and implements its
 25 programs pursuant to Section 379.8.

26 (d) A local publicly owned electric utility shall, on an annual
 27 basis beginning June 1, 2007, report to its customers and to the
 28 State Energy Resources Conservation and Development
 29 Commission, information relative to the utility’s solar roofs
 30 initiative. The State Energy Resources Conservation and
 31 Development Commission may establish guidelines for the
 32 information to be included in the utility’s annual report. Any
 33 guidelines established pursuant to this subdivision shall be
 34 adopted in the manner specified in Section 25784 of the Public
 35 Resources Code. Notwithstanding any other provision of law,
 36 any guidelines adopted by the State Energy Resources
 37 Conservation and Development Commission pursuant to this
 38 subdivision shall be exempt from the requirements of Chapter 3.5
 39 (commencing with Section 11340) of Part 1 of Division 3 of Title
 40 2 of the Government Code.

1 ~~SEC. 6. Section 73 of the Revenue and Taxation Code is~~
2 ~~amended to read:~~

3 ~~73. (a) Pursuant to the authority granted to the Legislature~~
4 ~~pursuant to paragraph (1) of subdivision (c) of Section 2 of~~
5 ~~Article XIII A of the California Constitution, the term “newly~~
6 ~~constructed,” as used in subdivision (a) of Section 2 of Article~~
7 ~~XIII A of the California Constitution, does not include the~~
8 ~~construction or addition of any active solar energy system, as~~
9 ~~defined in subdivision (b).~~

10 ~~(b) (1) “Active solar energy system” means a system that uses~~
11 ~~solar devices, which are thermally isolated from living space or~~
12 ~~any other area where the energy is used, to provide for the~~
13 ~~collection, storage, or distribution of solar energy.~~

14 ~~(2) “Active solar energy system” does not include solar~~
15 ~~swimming pool heaters or hot tub heaters.~~

16 ~~(3) Active solar energy systems may be used for any of the~~
17 ~~following:~~

18 ~~(A) Domestic, recreational, therapeutic, or service water~~
19 ~~heating.~~

20 ~~(B) Space conditioning.~~

21 ~~(C) Production of electricity.~~

22 ~~(D) Process heat.~~

23 ~~(E) Solar mechanical energy.~~

24 ~~(c) (1) (A) The Legislature finds and declares that the~~
25 ~~definition of spare parts in this paragraph is declarative of the~~
26 ~~intent of the Legislature, in prior statutory enactments of this~~
27 ~~section that excluded active solar energy systems from the term~~
28 ~~“newly constructed,” as used in the California Constitution,~~
29 ~~thereby creating a tax appraisal exclusion.~~

30 ~~(B) An active solar energy system that uses solar energy in the~~
31 ~~production of electricity includes storage devices, power~~
32 ~~conditioning equipment, transfer equipment, and parts related to~~
33 ~~the functioning of those items. In general, the use of solar energy~~
34 ~~in the production of electricity involves the transformation of~~
35 ~~sunlight into electricity through the use of devices, including~~
36 ~~solar cells or other collectors. However, an active solar energy~~
37 ~~system used in the production of electricity includes only~~
38 ~~equipment used up to, but not including, the stage of the~~
39 ~~transmission or use of the electricity. For the purpose of this~~
40 ~~paragraph, the term “parts” includes spare parts that are owned~~

1 by the owner of, or the maintenance contractor for, an active
2 solar energy system that uses solar energy in the production of
3 electricity and which spare parts were specifically purchased,
4 designed, or fabricated by or for that owner or maintenance
5 contractor for installation in an active solar energy system that
6 uses solar energy in the production of electricity, thereby
7 including those parts in the tax appraisal exclusion created by
8 this section.

9 (2) An active solar energy system that uses solar energy in the
10 production of electricity also includes pipes and ducts that are
11 used exclusively to carry energy derived from solar energy. Pipes
12 and ducts that are used to carry both energy derived from solar
13 energy and from energy derived from other sources are active
14 solar energy system property only to the extent of 75 percent of
15 their full cash value.

16 (3) An active solar energy system that uses solar energy in the
17 production of electricity does not include auxiliary equipment,
18 such as furnaces and hot water heaters, that use a source of power
19 other than solar energy to provide usable energy. An active solar
20 energy system that uses solar energy in the production of
21 electricity does include equipment, such as ducts and hot water
22 tanks, that is utilized by both auxiliary equipment and solar
23 energy equipment, that is, dual use equipment. That equipment is
24 active solar energy system property only to the extent of 75
25 percent of its full cash value.

26 (d) This section shall apply to property tax lien dates for the
27 1999-2000 to 2016-17 fiscal years, inclusive. For purposes of
28 supplemental assessment, this section shall apply only to
29 qualifying construction or additions completed on or after
30 January 1, 1999.

31 (e) This section shall remain in effect only until January 1,
32 2018, and as of that date is repealed, unless a later enacted statute
33 that is enacted before January 1, 2018, deletes or extends that
34 date.

35 SEC. 7. Section 17053.84 of the Revenue and Taxation Code
36 is amended to read:

37 17053.84. (a) For each taxable year beginning on or after
38 January 1, 2001, and before January 1, 2004, there shall be
39 allowed as a credit against the "net tax," as defined in Section
40 17039, an amount equal to the lesser of 15 percent of the cost

1 that is paid or incurred by a taxpayer, after deducting the value of
2 any other municipal, state, or federal sponsored financial
3 incentives, during the taxable year for the purchase and
4 installation of any solar or wind energy system installed on
5 property in this state, or the applicable dollar amount per rated
6 watt of that solar or wind energy system, as determined by the
7 Franchise Tax Board in consultation with the State Energy
8 Resources Conservation and Development Commission.

9 (b) For each taxable year beginning on or after January 1,
10 2004, and before January 1, 2017, there shall be allowed as a
11 credit against the “net tax,” as defined in Section 17039, an
12 amount equal to the lesser of 7.5 percent of the cost that is paid
13 or incurred by a taxpayer, after deducting the value of any other
14 municipal, state, or federal sponsored financial incentives, during
15 the taxable year for the purchase and installation of any solar or
16 wind energy system installed on property in this state, or the
17 applicable dollar amount per rated watt of that solar or wind
18 energy system, as determined by the Franchise Tax Board in
19 consultation with the State Energy Resources Conservation and
20 Development Commission.

21 (c) For purposes of this section:

22 (1) “Applicable dollar amount” means four dollars and fifty
23 cents (\$4.50) for any taxable year beginning on or after January
24 1, 2001, and before January 1, 2017.

25 (2) “Solar energy system” means a solar energy device, in the
26 form of a photovoltaic system, with a peak generating capacity of
27 up to, but not more than 200 kilowatts, used for the individual
28 function of generating electricity, that is certified by the State
29 Energy Resources Conservation and Development Commission
30 and installed with a five-year warranty against breakdown or
31 undue degradation.

32 (3) “Wind energy system” means a wind energy conversion
33 system consisting of a wind turbine, a tower, and associated
34 control or conversion electronics, with a peak generating capacity
35 of up to, but not exceeding, 200 kilowatts, use for the individual
36 function of generating electricity, that is certified by the State
37 Energy Resources Conservation and Development Commission
38 and installed with a five-year warranty against breakdown or
39 undue degradation.

1 ~~(4) A credit may be allowed under this section with respect to~~
2 ~~only one solar or wind energy system per each separate legal~~
3 ~~parcel of property or per each address of the taxpayer in the state.~~

4 ~~(5) No credit may be allowed under this section unless the~~
5 ~~solar or wind energy system is actually used for purposes of~~
6 ~~producing electricity and primarily used to meet the taxpayer's~~
7 ~~own energy needs.~~

8 ~~(d) No other credit and no deduction may be allowed under~~
9 ~~this part for any cost for which a credit is allowed by this section.~~
10 ~~The basis of the solar or wind energy system shall be reduced by~~
11 ~~the amount allowed as a credit under subdivision (a) or (b).~~

12 ~~(e) No credit shall be allowed to any taxpayer engaged in~~
13 ~~those lines of business described in Sector 22 of the North~~
14 ~~American Industry Classification System (NAICS) Manual~~
15 ~~published by the United States Office of Management and~~
16 ~~Budget, 1997 edition.~~

17 ~~(f) If any solar or wind energy system for which a credit is~~
18 ~~allowed pursuant to this section is thereafter sold or removed~~
19 ~~from this state within one year from the date the solar or wind~~
20 ~~energy system is first placed in service in this state, the amount~~
21 ~~of credit allowed by this section for that solar or wind energy~~
22 ~~system shall be recaptured by adding that credit amount to the net~~
23 ~~tax of the taxpayer for the taxable year in which the solar or wind~~
24 ~~energy system is sold or removed.~~

25 ~~(g) In the case where the credit allowed by this section~~
26 ~~exceeds the "net tax," the excess may be carried over to reduce~~
27 ~~the "net tax" in the following year, and the succeeding seven~~
28 ~~years if necessary, until the credit is exhausted.~~

29 ~~(h) This section shall remain in effect only until December 1,~~
30 ~~2017, and as of that date is repealed.~~

31 ~~SEC. 8. Section 23684 of the Revenue and Taxation Code is~~
32 ~~amended to read:~~

33 ~~23684. (a) For each taxable year beginning on or after~~
34 ~~January 1, 2001, and before January 1, 2004, there shall be~~
35 ~~allowed as a credit against the "tax," as defined in Section 23036,~~
36 ~~an amount equal to the lesser of 15 percent of the cost that is paid~~
37 ~~or incurred by a taxpayer, after deducting the value of any other~~
38 ~~municipal, state, or federal sponsored financial incentives, during~~
39 ~~the taxable year for the purchase and installation of any solar or~~
40 ~~wind energy system installed on property in this state, or the~~

1 applicable dollar amount per rated watt of that solar or wind
2 energy system, as determined by the Franchise Tax Board in
3 consultation with the State Energy Resources Conservation and
4 Development Commission.

5 (b) For each taxable year beginning on or after January 1,
6 2004, and before January 1, 2017, there shall be allowed as a
7 credit against the “net tax,” as defined in Section 17039, an
8 amount equal to the lesser of 7.5 percent of the cost that is paid
9 or incurred by a taxpayer, after deducting the value of any other
10 municipal, state, or federal sponsored financial incentives, during
11 the taxable year for the purchase and installation of any solar or
12 wind energy system installed on property in this state, or the
13 applicable dollar amount per rated watt of that solar or wind
14 energy system, as determined by the Franchise Tax Board in
15 consultation with the State Energy Resources Conservation and
16 Development Commission.

17 (c) For purposes of this section:

18 (1) “Applicable dollar amount” means four dollars and fifty
19 cents (\$4.50) for any taxable year beginning on or after January
20 1, 2001, and before January 1, 2017.

21 (2) “Solar energy system” means a solar energy device, in the
22 form of a photovoltaic system, with a peak generating capacity of
23 up to, but not more than 200 kilowatts, used for the individual
24 function of generating electricity, that is certified by the State
25 Energy Resources Conservation and Development Commission
26 and installed with a five-year warranty against breakdown or
27 undue degradation.

28 (3) “Wind energy system” means a wind energy conversion
29 system consisting of a wind turbine, a tower, and associated
30 control or conversion electronics, with a peak generating capacity
31 of up to, but not exceeding, 200 kilowatts, used for the individual
32 function of generating electricity, that is certified by the State
33 Energy Resources Conservation and Development Commission
34 and installed with a five-year warranty against breakdown or
35 undue degradation.

36 (4) A credit may be allowed under this section with respect to
37 only one solar or wind energy system per each separate legal
38 parcel of property or per each address of the taxpayer in the state.

39 (5) No credit may be allowed under this section unless the
40 solar or wind energy system is actually used for purposes of

1 producing electricity and is primarily used to meet the taxpayer's
2 own energy needs.

3 ~~(d) No other credit and no deduction may be allowed under
4 this part for any cost for which a credit is allowed by this section.
5 The basis of the solar or wind energy system shall be reduced by
6 the amount allowed as a credit under subdivision (a) or (b).~~

7 ~~(e) No credit may be allowed to any taxpayer engaged in those
8 lines of business described in Sector 22 of the North American
9 Industry Classification System (NAICS) Manual published by
10 the United States Office of Management and Budget, 1997
11 edition.~~

12 ~~(f) If any solar or wind energy system for which a credit is
13 allowed pursuant to this section is thereafter sold or removed
14 from this state within one year from the date the solar or wind
15 energy system is first placed in service in this state, the amount
16 of credit allowed by this section for that solar or wind energy
17 system shall be recaptured by adding that credit amount to the tax
18 of the taxpayer for the taxable year in which the solar or wind
19 energy system is sold or removed.~~

20 ~~(g) In the case where the credit allowed by this section
21 exceeds the "tax," the excess may be carried over to reduce the
22 "tax" in the following year, and the succeeding seven years if
23 necessary, until the credit is exhausted.~~

24 ~~(h) This section shall remain in effect only until December 1,
25 2017, and as of that date is repealed.~~

26 ~~SEC. 9.—~~

27 *SEC. 8.* No reimbursement is required by this act pursuant to
28 Section 6 of Article XIII B of the California Constitution because
29 the only costs that may be incurred by a local agency or school
30 district will be incurred because this act creates a new crime or
31 infraction, eliminates a crime or infraction, or changes the
32 penalty for a crime or infraction, within the meaning of Section
33 17556 of the Government Code, or changes the definition of a
34 crime within the meaning of Section 6 of Article XIII B of the
35 California Constitution.

36 ~~SEC. 10.—~~

37 *SEC. 9.* No reimbursement is required by this act pursuant to
38 Section 6 of Article XIII B of the California Constitution for
39 certain other costs that may be incurred by a local agency or
40 school district because a local agency or school district has the

1 authority to levy service charges, fees, or assessments sufficient
2 to pay for the program or level of service mandated by this act,
3 within the meaning of Section 17556 of the Government Code.

4 ~~SEC. 11. No reimbursement is required by this act pursuant~~
5 ~~to Section 6 of Article XIII B of the California Constitution~~
6 ~~because the duties imposed on a local agency or school district~~
7 ~~by this act were expressly included in a ballot measure approved~~
8 ~~by the voters in a statewide election, within the meaning of~~
9 ~~Section 17556 of the Government Code.~~

10

11

12

CORRECTIONS:

13

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14
