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SENATE BILL

No. 1

Introduced by Senator Murray

(Principal coauthor: Assembly Member Levine)

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

(Coauthors: Assembly Members Bermudez, Blakeslee, Chan, Cohn, Garcia, Koretz, Laird, Leno, Lieber, Nation, Pavley, Saldana, Wolk, and Yee)

December 6, 2004

An act 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 2827 of, and to add Sections 387.5 and 2851 to, the Public Utilities Code, relating to solar electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 1, as amended, Murray. Electricity: solar energy: net metering.

(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 to develop and adopt regulations governing solar devices, as defined, designed to encourage the development and use of solar energy and to provide maximum information to the public concerning solar devices.

This bill would require beginning January 1, 2011, a seller of production homes, as defined, to 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 forgo the offer requirement on a project by installing solar energy systems generating specified amounts of electricity on other projects. The bill would require, not later than July 1, 2007, the Energy Commission to initiate a public proceeding to study and make findings whether, and under what conditions, solar energy systems should be required on new residential and nonresidential buildings and to periodically update the study thereafter.

(2) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law required 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 super clean 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 existed on January 1, 2004, subject to certain air emissions and efficiency standards. In a PUC decision, the PUC adopted the California Solar Initiative, which modified the self-generation incentive program for distributed generation resources and provides incentives to customer-side photovoltaics and solar thermal electric projects under one megawatt.

This bill would require the PUC, in implementing the California Solar Initiative, to authorize the award of monetary incentives for up to the first megawatt of alternating current generated by an eligible solar energy system, that meets the eligibility criteria established by the Energy Commission. The bill would authorize the commission, prior to the establishment of eligibility criteria by the Energy Commission, to determine the eligibility of a solar energy system, as defined, to receive monetary incentives. The bill would require that awards of monetary incentives decline at a rate of an average of at least 7% for each year following implementation, and be zero by December 31, 2016. The bill would require the PUC, by January 1, 2008, to adopt a performance-based incentive program, as specified. The bill would require that the PUC, by January 1, 2008, and in consultation with the Energy Commission, require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems. The bill would require the commission to require time-variant pricing for all ratepayers with a solar energy system. The bill would prohibit costs of the program from being recovered from certain customers and would require the commission to ensure that the total cost over the duration of the program does not exceed—~~\$3,200,000,000~~ *\$3,350,800,000*, consisting of 3 specified program components. *The bill would authorize the PUC to award monetary incentives for solar thermal and solar water heating devices, in a total amount up to \$100,800,000.* The bill would prohibit the PUC from allocating ~~additional moneys more than \$50,000,000~~ for certain research, development, and demonstration. The bill would require that by June 30, 2009, and by June 30 of every year thereafter, the PUC submit to

the Legislature an assessment of the success of the California Solar Initiative program, that includes specified information.

This bill would require the Energy Commission, by January 1, 2008, and in consultation with the PUC, local publicly owned electric utilities, and interested members of the public, to establish and thereafter revise eligibility criteria for solar energy systems and to establish conditions for ratepayer funded incentives that are applicable to the California Solar Initiative. The bill would require the Energy Commission to adopt guidelines for solar energy systems receiving ratepayer funded incentives at a publicly noticed meeting. The bill would, upon establishment of eligibility criteria by the Energy Commission, prohibit ratepayer funded incentives from being made for a solar energy system that does not meet the eligibility criteria. The bill would require the Energy Commission to make certain information available to the public, to provide assistance to builders and contractors, and to conduct random audits of solar energy systems to evaluate their operational performance.

This bill would require all local publicly owned electric utilities, as defined, that sell electricity at retail, on or before January 1, 2008, to adopt, implement, and finance a solar initiative program, as prescribed, for the purpose of investing in, and encouraging the increased installation of, residential and commercial solar energy systems. The bill would require a local publicly owned electric utility to make certain program information available to its customers, to the Legislature, and to the Energy Commission on an annual basis beginning June 1, 2008. By imposing additional duties upon local publicly owned electric utilities, the bill would thereby impose a state-mandated local program.

(3) 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 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 2.5% of the electric service provider’s aggregate customer peak demand. The bill would require the ~~commission~~ PUC, by January 1, 2010, in consultation with the Energy Commission, to submit a report to the Governor and Legislature on the costs and benefits of net energy metering, wind energy co-metering, and co-energy metering to participating customers and nonparticipating customers and with options to replace the economic costs of different forms of net metering with a mechanism that more equitably balances the interests of participating and nonparticipating customers.

(4) Existing law, the Contractors’ State License Law, provides for the licensure and regulation of contractors by the Contractors’ State License Board.

This bill would require the board to review and, if needed, revise its licensing classifications and examinations to ensure that contractors authorized to perform work on solar energy systems, as specified, have the requisite qualifications to perform the work.

(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. (a) The Legislature finds and declares that the
2 Public Utilities Commission (PUC) adopted the California Solar
3 Initiative in Decision 06-01-024.

4 (b) Nothing in this act shall be construed to codify PUC
5 Decision 06-01-024.

6 SEC. 2. Section 25405.5 is added to the Public Resources
7 Code, to read:

8 25405.5. (a) As used in this section, the following terms have
9 the following meanings:

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

4 (2) “Production home” means a single-family residence
5 constructed as part of a development of at least 50 homes per
6 project that is intended or offered for sale.

7 (3) “Solar energy system” means a solar energy device that
8 has the primary purpose of providing for the collection and
9 distribution of solar energy for the generation of electricity, that
10 produces at least one kW, and not more than five megawatts,
11 alternating current rated peak electricity, and that meets or
12 exceeds the eligibility criteria established pursuant to Section
13 25782.

14 (b) A seller of production homes shall offer a solar energy
15 system option to all customers that enter into negotiations to
16 purchase a new production home constructed on land for which
17 an application for a tentative subdivision map has been deemed
18 complete on or after January 1, 2011, and disclose the following:

- 19 (1) The total installed cost of the solar energy system option.
- 20 (2) The estimated cost savings associated with the solar energy
21 system option, as determined by the commission pursuant to
22 Chapter 8.8 (commencing with Section 25780) of Division 15.

23 (c) The State Energy Resources Conservation and
24 Development Commission shall develop an offset program that
25 allows a developer or seller of production homes to forgo the
26 offer requirement of this section on a project, by installing solar
27 energy systems generating specified amounts of electricity on
28 other projects, including, but not limited to, low-income housing,
29 multifamily, commercial, industrial, and institutional
30 developments. The amount of electricity required to be generated
31 from solar energy systems used as an offset pursuant to this
32 subdivision shall be equal to the amount of electricity generated
33 by solar energy systems installed on a similarly sized project
34 within that climate zone, assuming 20 percent of the prospective
35 buyers would have installed solar energy systems.

36 (d) The requirements of this section shall not operate as a
37 substitute for the implementation of existing energy efficiency
38 measures, and the requirements of this section shall not result in
39 lower energy savings or lower energy efficiency levels than
40 would otherwise be achieved by the full implementation of

1 energy savings and energy efficiency standards established
2 pursuant to Section 25402.

3 SEC. 3. Section 25405.6 is added to the Public Resources
4 Code, to read:

5 25405.6. Not later than July 1, 2007, the commission shall
6 initiate a public proceeding to study and make findings whether,
7 and under what conditions, solar energy systems should be
8 required on new residential and new nonresidential buildings,
9 including the establishment of numerical targets. As part of the
10 study, the commission may determine that a solar energy system
11 should not be required for any building unless the commission
12 determines, based upon consideration of all costs associated with
13 the system, that the system is cost effective when amortized over
14 the economic life of the structure. When determining the
15 cost-effectiveness of the solar energy system, the commission
16 shall consider the availability of governmental rebates, tax
17 deductions, net-metering, and other quantifiable factors, if the
18 commission can determine the availability of these financial
19 incentives if a solar energy system is made mandatory and not
20 elective. The commission shall periodically update the study and
21 incorporate any revision that the commission determines is
22 necessary, including revisions that reflect changes in the financial
23 incentives originally considered by the commission when
24 determining cost-effectiveness of the solar energy system. For
25 purposes of this section, “solar energy system” means a
26 photovoltaic solar collector or other photovoltaic solar energy
27 device that has a primary purpose of providing for the collection
28 and distribution of solar energy for the generation of electricity.
29 This section is intended to be for study purposes only and does
30 not authorize the commission to develop and adopt any
31 requirement for solar energy systems on either residential or
32 nonresidential buildings.

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

35

36 CHAPTER 8.8. CALIFORNIA SOLAR INITIATIVE

37

38 25780. The Legislature finds and declares both of the
39 following:

1 (a) It is the goal of the state to install solar energy systems
2 with a generation capacity equivalent of 3,000 megawatts, to
3 establish a self-sufficient solar industry in which solar energy
4 systems are a viable mainstream option for both homes and
5 businesses in 10 years, and to place solar energy systems on 50
6 percent of new homes in 13 years.

7 (b) A solar initiative should be a cost-effective investment by
8 ratepayers in peak electricity generation capacity where
9 ratepayers recoup the cost of their investment through lower rates
10 as a result of avoiding purchases of electricity at peak rates, with
11 additional system reliability and pollution reduction benefits.

12 25781. As used in this chapter, the following terms have the
13 following meanings:

14 (a) “California Solar Initiative” means the program providing
15 ratepayer funded incentives for eligible solar energy systems
16 adopted by the Public Utilities Commission in Decision
17 06-01-024.

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

21 (c) “kWh” means kilowatthours, as measured by the number
22 of kilowatts generated in an hour.

23 (d) “MW” means megawatts or 1,000,000 watts.

24 (e) “Solar energy system” means a solar energy device that has
25 the primary purpose of providing for the collection and
26 distribution of solar energy for the generation of electricity, that
27 produces at least one kW, and not more than five MW,
28 alternating current rated peak electricity, and that meets or
29 exceeds the eligibility criteria established pursuant to Section
30 25782.

31 25782. (a) The commission shall, by January 1, 2008, in
32 consultation with the Public Utilities Commission, local publicly
33 owned electric utilities, and interested members of the public,
34 establish eligibility criteria for solar energy systems receiving
35 ratepayer funded incentives that include all of the following:

36 (1) Design, installation, and electrical output standards or
37 incentives.

38 (2) The solar energy system is intended primarily to offset part
39 or all of the consumer’s own electricity demand.

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

4 (4) The solar energy system has a warranty of not less than 10
5 years to protect against defects and undue degradation of
6 electrical generation output.

7 (5) The solar energy system is located on the same premises of
8 the end-use consumer where the consumer's own electricity
9 demand is located.

10 (6) The solar energy system is connected to the electrical
11 corporation's electrical distribution system within the state.

12 (7) The solar energy system has meters or other devices in
13 place to monitor and measure the system's performance and the
14 quantity of electricity generated by the system.

15 (8) The solar energy system is installed in conformance with
16 the manufacturer's specifications and in compliance with all
17 applicable electrical and building code standards.

18 (b) The commission shall establish conditions on ratepayer
19 funded incentives that require all of the following:

20 (1) Appropriate siting and high quality installation of the solar
21 energy system by developing installation guidelines that
22 maximize the performance of the system and prevent qualified
23 systems from being inefficiently or inappropriately installed. The
24 conditions established by the commission shall not impact
25 housing designs or densities presently authorized by a city,
26 county, or city and county. The goal of this paragraph is to
27 achieve efficient installation of solar energy systems to promote
28 the greatest energy production per ratepayer dollar.

29 (2) Optimal solar energy system performance during periods
30 of peak electricity demand.

31 (3) Appropriate energy efficiency improvements in the new or
32 existing home or commercial structure where the solar energy
33 system is installed.

34 (c) The commission shall set rating standards for equipment,
35 components, and systems to assure reasonable performance and
36 shall develop standards that provide for compliance with the
37 minimum ratings.

38 (d) Upon establishment of eligibility criteria pursuant to
39 subdivision (a), no ratepayer funded incentives shall be made for
40 a solar energy system that does not meet the eligibility criteria.

1 25783. The commission shall do all the following:

2 (a) Publish educational materials designed to demonstrate how
3 builders may incorporate solar energy systems during
4 construction as well as energy efficiency measures that best
5 complement solar energy systems.

6 (b) Develop and publish the estimated annual electrical
7 generation and savings for solar energy systems. The estimates
8 shall vary by climate zone, type of system, size, lifecycle costs,
9 electricity prices, and other factors the commission determines to
10 be relevant to a consumer when making a purchasing decision.

11 (c) Provide assistance to builders and contractors. The
12 assistance may include technical workshops, training,
13 educational materials, and related research.

14 (d) The commission shall annually conduct random audits of
15 solar energy systems to evaluate their operational performance.

16 (e) The commission, in consultation with the Public Utilities
17 Commission, shall evaluate the costs and benefits of having an
18 increased number of operational solar energy systems as a part of
19 the electrical system with respect to their impact upon the
20 distribution, transmission, and supply of electricity, using the
21 best available load profiling and distribution operations data from
22 the Public Utilities Commission, local publicly owned electric
23 utilities, and electrical corporations, and performance audits of
24 installed solar energy systems.

25 25784. The commission shall adopt guidelines for solar
26 energy systems receiving ratepayer funded incentives at a
27 publicly noticed meeting offering all interested parties an
28 opportunity to comment. Not less than 30 days' public notice
29 shall be given of the meeting required by this section, before the
30 commission initially adopts guidelines. Substantive changes to
31 the guidelines shall not be adopted without at least 10 days'
32 written notice to the public. Notwithstanding any other provision
33 of law, any guidelines adopted pursuant to this chapter shall be
34 exempt from the requirements of Chapter 3.5 (commencing with
35 Section 11340) of Part 1 of Division 3 of Title 2 of the
36 Government Code.

37 SEC. 5. Section 387.5 is added to the Public Utilities Code, to
38 read:

39 387.5. (a) In order to further the state goal of encouraging the
40 installation of 3,000 megawatts of photovoltaic solar energy in

1 California *within 10 years*, the governing body of a local publicly
2 owned electric utility, as defined in subdivision (d) of Section
3 9604, that sells electricity at retail, shall adopt, implement, and
4 finance a solar initiative program, funded in accordance with
5 subdivision (b), for the purpose of investing in, and encouraging
6 the increased installation of, residential and commercial solar
7 energy systems.

8 (b) On or before January 1, 2008, a local publicly owned
9 electric utility shall offer monetary incentives for the installation
10 of solar energy systems of at least two dollars and eighty cents
11 (\$2.80) per installed watt, or for the electricity produced by the
12 solar energy system, measured in kilowatthours, as determined
13 by the governing board of a local publicly owned electric utility,
14 for photovoltaic solar energy systems. The incentive level shall
15 decline each year thereafter at a rate of no less than an average of
16 7 percent per year.

17 (c) A local publicly owned electric utility shall initiate a public
18 proceeding to fund a solar energy program to adequately support
19 the goal of installing 3,000 megawatts of photovoltaic solar
20 energy in California. The proceeding shall determine what
21 additional funding, if any, is necessary to provide the incentives
22 pursuant to subdivision (b). The public proceeding shall be
23 completed and the comprehensive solar energy program
24 established by January 1, 2008.

25 (d) The solar energy program of a local publicly owned
26 electric utility shall be consistent with all of the following:

27 (1) That a solar energy system receiving monetary incentives
28 comply with the eligibility criteria, design, installation, and
29 electrical output standards or incentives established by the State
30 Energy Resources Conservation and Development Commission
31 pursuant to Section 25782 of the Public Resources Code.

32 (2) That solar energy systems receiving monetary incentives
33 are intended primarily to offset part or all of the consumer's own
34 electricity demand.

35 (3) That all components in the solar energy system are new
36 and unused, and have not previously been placed in service in
37 any other location or for any other application.

38 (4) That the solar energy system has a warranty of not less
39 than 10 years to protect against defects and undue degradation of
40 electrical generation output.

1 (5) That the solar energy system be located on the same
2 premises of the end-use consumer where the consumer's own
3 electricity demand is located.

4 (6) That the solar energy system be connected to the electric
5 utility's electrical distribution system within the state.

6 (7) That the solar energy system has meters or other devices in
7 place to monitor and measure the system's performance and the
8 quantity of electricity generated by the system.

9 (8) That the solar energy system be installed in conformance
10 with the manufacturer's specifications and in compliance with all
11 applicable electrical and building code standards.

12 (e) A local publicly owned electric utility shall, on an annual
13 basis beginning June 1, 2008, make available to its customers, to
14 the Legislature, and to the State Energy Resources Conservation
15 and Development Commission, information relating to the
16 utility's solar initiative program established pursuant to this
17 section, including, but not limited to, the number of photovoltaic
18 solar watts installed, the total number of photovoltaic systems
19 installed, the total number of applicants, the amount of incentives
20 awarded, and the contribution toward the program goals.

21 (f) In establishing the program required by this section, no
22 moneys shall be diverted from any existing programs for
23 low-income ratepayers, or from cost-effective energy efficiency
24 or demand response programs.

25 (g) The statewide expenditures for solar programs adopted,
26 implemented, and financed by local publicly owned electric
27 utilities shall be seven hundred eighty-four million dollars
28 (\$784,000,000). The expenditure level for each local publicly
29 owned electric utility shall be based on that utility's percentage
30 of the total statewide load served by all local publicly owned
31 electric utilities. Expenditures by a local publicly owned electric
32 utility may be less than the utility's cap amount, provided that
33 funding is adequate to provide the incentives required by
34 subdivisions (a) and (b).

35 SEC. 6. Section 2827 of the Public Utilities Code is amended
36 to read:

37 2827. (a) The Legislature finds and declares that a program
38 to provide net energy metering for eligible customer-generators
39 is one way to encourage substantial private investment in
40 renewable energy resources, stimulate in-state economic growth,

1 reduce demand for electricity during peak consumption periods,
2 help stabilize California’s energy supply infrastructure, enhance
3 the continued diversification of California’s energy resource mix,
4 and reduce interconnection and administrative costs for
5 electricity suppliers.

6 (b) As used in this section, the following definitions apply:

7 (1) “Electric service provider” means an electrical corporation,
8 as defined in Section 218, a local publicly owned electric utility,
9 as defined in Section 9604, or an electrical cooperative, as
10 defined in Section 2776, or any other entity that offers electrical
11 service. This section shall not apply to a local publicly owned
12 electric utility, as defined in Section 9604 of the Public Utilities
13 Code, that serves more than 750,000 customers and that also
14 conveys water to its customers.

15 (2) “Eligible customer-generator” means a residential, small
16 commercial customer as defined in subdivision (h) of Section
17 331, commercial, industrial, or agricultural customer of an
18 electric service provider, who uses a solar or a wind turbine
19 electrical generating facility, or a hybrid system of both, with a
20 capacity of not more than one megawatt that is located on the
21 customer’s owned, leased, or rented premises, is interconnected
22 and operates in parallel with the electric grid, and is intended
23 primarily to offset part or all of the customer’s own electrical
24 requirements.

25 (3) “Net energy metering” means measuring the difference
26 between the electricity supplied through the electric grid and the
27 electricity generated by an eligible customer-generator and fed
28 back to the electric grid over a 12-month period as described in
29 subdivision (h). Net energy metering shall be accomplished using
30 a single meter capable of registering the flow of electricity in two
31 directions. An additional meter or meters to monitor the flow of
32 electricity in each direction may be installed with the consent of
33 the customer-generator, at the expense of the electric service
34 provider, and the additional metering shall be used only to
35 provide the information necessary to accurately bill or credit the
36 customer-generator pursuant to subdivision (h), or to collect solar
37 or wind electric generating system performance information for
38 research purposes. If the existing electrical meter of an eligible
39 customer-generator is not capable of measuring the flow of
40 electricity in two directions, the customer-generator shall be

1 responsible for all expenses involved in purchasing and installing
2 a meter that is able to measure electricity flow in two directions.
3 If an additional meter or meters are installed, the net energy
4 metering calculation shall yield a result identical to that of a
5 single meter. An eligible customer-generator who already owns
6 an existing solar or wind turbine electrical generating facility, or
7 a hybrid system of both, is eligible to receive net energy metering
8 service in accordance with this section.

9 (4) “Wind energy co-metering” means any wind energy
10 project greater than 50 kilowatts, but not exceeding one
11 megawatt, where the difference between the electricity supplied
12 through the electric grid and the electricity generated by an
13 eligible customer-generator and fed back to the electric grid over
14 a 12-month period is as described in subdivision (h). Wind
15 energy co-metering shall be accomplished pursuant to Section
16 2827.8.

17 (5) “Co-energy metering” means a program that is the same in
18 all other respects as a net energy metering program, except that
19 the local publicly owned electric utility, as defined in Section
20 9604, has elected to apply a generation-to-generation energy and
21 time-of-use credit formula as provided in subdivision (i).

22 (6) “Ratemaking authority” means, for an electrical
23 corporation as defined in Section 218, or an electrical
24 cooperative as defined in Section 2776, the commission, and for
25 a local publicly owned electric utility as defined in Section 9604,
26 the local elected body responsible for regulating the rates of the
27 local publicly owned utility.

28 (c) (1) Every electric service provider shall develop a standard
29 contract or tariff providing for net energy metering, and shall
30 make this contract available to eligible customer-generators,
31 upon request, on a first-come-first-served basis until the time that
32 the total rated generating capacity used by eligible
33 customer-generators exceeds 2.5 percent of the electric service
34 provider’s aggregate customer peak demand.

35 (2) On an annual basis, beginning in 2003, every electric
36 service provider shall make available to the ratemaking authority
37 information on the total rated generating capacity used by
38 eligible customer-generators that are customers of that provider
39 in the provider’s service area. For those electric service providers
40 who are operating pursuant to Section 394, they shall make

1 available to the ratemaking authority the information required by
2 this paragraph for each eligible customer-generator that is their
3 customer for each service area of an electric corporation, local
4 publicly owned electric utility, or electrical cooperative, in which
5 the customer has net energy metering. The ratemaking authority
6 shall develop a process for making the information required by
7 this paragraph available to energy service providers, and for
8 using that information to determine when, pursuant to paragraph
9 (3), a service provider is not obligated to provide net energy
10 metering to additional customer-generators in its service area.

11 (3) Notwithstanding paragraph (1), an electric service provider
12 is not obligated to provide net energy metering to additional
13 customer-generators in its service area when the combined total
14 peak demand of all customer-generators served by all the electric
15 service providers in that service area furnishing net energy
16 metering to eligible customer-generators exceeds 2.5 percent of
17 the aggregate customer peak demand of those electric service
18 providers.

19 (4) By January 1, 2010, the commission, in consultation with
20 the State Energy Resources Conservation and Development
21 Commission, shall submit a report to the Governor and the
22 Legislature on the costs and benefits of net energy metering,
23 wind energy co-metering, and co-energy metering to
24 participating customers and nonparticipating customers and with
25 options to replace the economic costs and benefits of net energy
26 metering, wind energy co-metering, and co-energy metering with
27 a mechanism that more equitably balances the interests of
28 participating and nonparticipating customers, and that
29 incorporates the findings of the report on economic and
30 environmental costs and benefits of net metering required by
31 subdivision (n).

32 (d) Electric service providers shall make all necessary forms
33 and contracts for net metering service available for download
34 from the Internet.

35 (e) (1) Every electric service provider shall ensure that
36 requests for establishment of net energy metering are processed
37 in a time period not exceeding that for similarly situated
38 customers requesting new electric service, but not to exceed 30
39 working days from the date the electric service provider receives
40 a completed application form for net metering service, including

1 a signed interconnection agreement from an eligible
2 customer-generator and the electric inspection clearance from the
3 governmental authority having jurisdiction. If an electric service
4 provider is unable to process the request within the allowable
5 timeframe, the electric service provider shall notify both the
6 customer-generator and the ratemaking authority of the reason
7 for its inability to process the request and the expected
8 completion date.

9 (2) Electric service providers shall ensure that requests for an
10 interconnection agreement from an eligible customer-generator
11 are processed in a time period not to exceed 30 working days
12 from the date the electric service provider receives a completed
13 application form from the eligible customer-generator for an
14 interconnection agreement. If an electric service provider is
15 unable to process the request within the allowable timeframe, the
16 electric service provider shall notify the customer-generator and
17 the ratemaking authority of the reason for its inability to process
18 the request and the expected completion date.

19 (f) (1) If a customer participates in direct transactions
20 pursuant to paragraph (1) of subdivision (b) of Section 365 with
21 an electric supplier that does not provide distribution service for
22 the direct transactions, the service provider that provides
23 distribution service for an eligible customer-generator is not
24 obligated to provide net energy metering to the customer.

25 (2) If a customer participates in direct transactions pursuant to
26 paragraph (1) of subdivision (b) of Section 365 with an electric
27 supplier, and the customer is an eligible customer-generator, the
28 service provider that provides distribution service for the direct
29 transactions may recover from the customer's electric service
30 provider the incremental costs of metering and billing service
31 related to net energy metering in an amount set by the ratemaking
32 authority.

33 (g) Except for the time-variant kilowatthour pricing portion of
34 any tariff adopted by the commission pursuant to paragraph (4)
35 of subdivision (a) of Section 2851, each net energy metering
36 contract or tariff shall be identical, with respect to rate structure,
37 all retail rate components, and any monthly charges, to the
38 contract or tariff to which the same customer would be assigned
39 if the customer did not use an eligible solar or wind electrical
40 generating facility, except that eligible customer-generators shall

1 not be assessed standby charges on the electrical generating
2 capacity or the kilowatthour production of an eligible solar or
3 wind electrical generating facility. The charges for all retail rate
4 components for eligible customer-generators shall be based
5 exclusively on the customer-generator's net kilowatthour
6 consumption over a 12-month period, without regard to the
7 customer-generator's choice of electric service provider. Any
8 new or additional demand charge, standby charge, customer
9 charge, minimum monthly charge, interconnection charge, or any
10 other charge that would increase an eligible customer-generator's
11 costs beyond those of other customers who are not
12 customer-generators in the rate class to which the eligible
13 customer-generator would otherwise be assigned if the customer
14 did not own, lease, rent, or otherwise operate an eligible solar or
15 wind electrical generating facility are contrary to the intent of
16 this section, and shall not form a part of net energy metering
17 contracts or tariffs.

18 (h) For eligible residential and small commercial
19 customer-generators, the net energy metering calculation shall be
20 made by measuring the difference between the electricity
21 supplied to the eligible customer-generator and the electricity
22 generated by the eligible customer-generator and fed back to the
23 electric grid over a 12-month period. The following rules shall
24 apply to the annualized net metering calculation:

25 (1) The eligible residential or small commercial
26 customer-generator shall, at the end of each 12-month period
27 following the date of final interconnection of the eligible
28 customer-generator's system with an electric service provider,
29 and at each anniversary date thereafter, be billed for electricity
30 used during that period. The electric service provider shall
31 determine if the eligible residential or small commercial
32 customer-generator was a net consumer or a net producer of
33 electricity during that period.

34 (2) At the end of each 12-month period, where the electricity
35 supplied during the period by the electric service provider
36 exceeds the electricity generated by the eligible residential or
37 small commercial customer-generator during that same period,
38 the eligible residential or small commercial customer-generator is
39 a net electricity consumer and the electric service provider shall
40 be owed compensation for the eligible customer-generator's net

1 kilowatthour consumption over that same period. The
2 compensation owed for the eligible residential or small
3 commercial customer-generator's consumption shall be
4 calculated as follows:

5 (A) For all eligible customer-generators taking service under
6 tariffs employing "baseline" and "over baseline" rates, any net
7 monthly consumption of electricity shall be calculated according
8 to the terms of the contract or tariff to which the same customer
9 would be assigned to or be eligible for if the customer was not an
10 eligible customer-generator. If those same customer-generators
11 are net generators over a billing period, the net kilowatthours
12 generated shall be valued at the same price per kilowatthour as
13 the electric service provider would charge for the baseline
14 quantity of electricity during that billing period, and if the
15 number of kilowatthours generated exceeds the baseline quantity,
16 the excess shall be valued at the same price per kilowatthour as
17 the electric service provider would charge for electricity over the
18 baseline quantity during that billing period.

19 (B) For all eligible customer-generators taking service under
20 tariffs employing "time of use" rates, any net monthly
21 consumption of electricity shall be calculated according to the
22 terms of the contract or tariff to which the same customer would
23 be assigned to or be eligible for if the customer was not an
24 eligible customer-generator. When those same
25 customer-generators are net generators during any discrete time
26 of use period, the net kilowatthours produced shall be valued at
27 the same price per kilowatthour as the electric service provider
28 would charge for retail kilowatthour sales during that same time
29 of use period. If the eligible customer-generator's time of use
30 electrical meter is unable to measure the flow of electricity in two
31 directions, paragraph (3) of subdivision (b) shall apply.

32 (C) For all residential and small commercial
33 customer-generators and for each billing period, the net balance
34 of moneys owed to the electric service provider for net
35 consumption of electricity or credits owed to the
36 customer-generator for net generation of electricity shall be
37 carried forward as a monetary value until the end of each
38 12-month period. For all commercial, industrial, and agricultural
39 customer-generators the net balance of moneys owed shall be
40 paid in accordance with the electric service provider's normal

1 billing cycle, except that if the commercial, industrial, or
2 agricultural customer-generator is a net electricity producer over
3 a normal billing cycle, any excess kilowatthours generated during
4 the billing cycle shall be carried over to the following billing
5 period as a monetary value, calculated according to the
6 procedures set forth in this section, and appear as a credit on the
7 customer-generator's account, until the end of the annual period
8 when paragraph (3) shall apply.

9 (3) At the end of each 12-month period, where the electricity
10 generated by the eligible customer-generator during the
11 12-month period exceeds the electricity supplied by the electric
12 service provider during that same period, the eligible
13 customer-generator is a net electricity producer and the electric
14 service provider shall retain any excess kilowatthours generated
15 during the prior 12-month period. The eligible
16 customer-generator shall not be owed any compensation for
17 those excess kilowatthours unless the electric service provider
18 enters into a purchase agreement with the eligible
19 customer-generator for those excess kilowatthours.

20 (4) The electric service provider shall provide every eligible
21 residential or small commercial customer-generator with net
22 electricity consumption information with each regular bill. That
23 information shall include the current monetary balance owed the
24 electric service provider for net electricity consumed since the
25 last 12-month period ended. Notwithstanding this subdivision, an
26 electric service provider shall permit that customer to pay
27 monthly for net energy consumed.

28 (5) If an eligible residential or small commercial
29 customer-generator terminates the customer relationship with the
30 electric service provider, the electric service provider shall
31 reconcile the eligible customer-generator's consumption and
32 production of electricity during any part of a 12-month period
33 following the last reconciliation, according to the requirements
34 set forth in this subdivision, except that those requirements shall
35 apply only to the months since the most recent 12-month bill.

36 (6) If an electric service provider providing net metering to a
37 residential or small commercial customer-generator ceases
38 providing that electrical service to that customer during any
39 12-month period, and the customer-generator enters into a new
40 net metering contract or tariff with a new electric service

1 provider, the 12-month period, with respect to that new electric
2 service provider, shall commence on the date on which the new
3 electric service provider first supplies electric service to the
4 customer-generator.

5 (i) Notwithstanding any other provisions of this section, the
6 following provisions shall apply to an eligible
7 customer-generator with a capacity of more than 10 kilowatts,
8 but not exceeding one megawatt, that receives electrical service
9 from a local publicly owned electric utility, as defined in Section
10 9604, that has elected to utilize a co-energy metering program
11 unless the electric service provider chooses to provide service for
12 eligible customer-generators with a capacity of more than 10
13 kilowatts in accordance with subdivisions (g) and (h):

14 (1) The eligible customer-generator shall be required to utilize
15 a meter, or multiple meters, capable of separately measuring
16 electricity flow in both directions. All meters shall provide
17 “time-of-use” measurements of electricity flow, and the customer
18 shall take service on a time-of-use rate schedule. If the existing
19 meter of the eligible customer-generator is not a time-of-use
20 meter or is not capable of measuring total flow of energy in both
21 directions, the eligible customer-generator shall be responsible
22 for all expenses involved in purchasing and installing a meter
23 that is both time-of-use and able to measure total electricity flow
24 in both directions. This subdivision shall not restrict the ability of
25 an eligible customer-generator to utilize any economic incentives
26 provided by a government agency or the electric service provider
27 to reduce its costs for purchasing and installing a time-of-use
28 meter.

29 (2) The consumption of electricity from the electric service
30 provider shall result in a cost to the eligible customer-generator
31 to be priced in accordance with the standard rate charged to the
32 eligible customer-generator in accordance with the rate structure
33 to which the customer would be assigned if the customer did not
34 use an eligible solar or wind electrical generating facility. The
35 generation of electricity provided to the electric service provider
36 shall result in a credit to the eligible customer-generator and shall
37 be priced in accordance with the generation component,
38 established under the applicable structure to which the customer
39 would be assigned if the customer did not use an eligible solar or
40 wind electrical generating facility.

1 (3) All costs and credits shall be shown on the eligible
2 customer-generator's bill for each billing period. In any months
3 in which the eligible customer-generator has been a net consumer
4 of electricity calculated on the basis of value determined pursuant
5 to paragraph (2), the customer-generator shall owe to the electric
6 service provider the balance of electricity costs and credits during
7 that billing period. In any billing period in which the eligible
8 customer-generator has been a net producer of electricity
9 calculated on the basis of value determined pursuant to paragraph
10 (2), the electric service provider shall owe to the eligible
11 customer-generator the balance of electricity costs and credits
12 during that billing period. Any net credit to the eligible
13 customer-generator of electricity costs may be carried forward to
14 subsequent billing periods, provided that an electric service
15 provider may choose to carry the credit over as a kilowatthour
16 credit consistent with the provisions of any applicable tariff,
17 including any differences attributable to the time of generation of
18 the electricity. At the end of each 12-month period, the electric
19 service provider may reduce any net credit due to the eligible
20 customer-generator to zero.

21 (j) A solar or wind turbine electrical generating system, or a
22 hybrid system of both, used by an eligible customer-generator
23 shall meet all applicable safety and performance standards
24 established by the National Electrical Code, the Institute of
25 Electrical and Electronics Engineers, and accredited testing
26 laboratories such as Underwriters Laboratories and, where
27 applicable, rules of the Public Utilities Commission regarding
28 safety and reliability. A customer-generator whose solar or wind
29 turbine electrical generating system, or a hybrid system of both,
30 meets those standards and rules shall not be required to install
31 additional controls, perform or pay for additional tests, or
32 purchase additional liability insurance.

33 (k) If the commission determines that there are cost or revenue
34 obligations for an electric corporation, as defined in Section 218,
35 that may not be recovered from customer-generators acting
36 pursuant to this section, those obligations shall remain within the
37 customer class from which any shortfall occurred and may not be
38 shifted to any other customer class. Net-metering and
39 co-metering customers shall not be exempt from the public
40 benefits charge. In its report to the Legislature, the commission

1 shall examine different methods to ensure that the public benefits
2 charge remains a nonbypassable charge.

3 (l) A net metering customer shall reimburse the Department of
4 Water Resources for all charges that would otherwise be imposed
5 on the customer by the commission to recover bond-related costs
6 pursuant to an agreement between the commission and the
7 Department of Water Resources pursuant to Section 80110 of the
8 Water Code, as well as the costs of the department equal to the
9 share of the department's estimated net unavoidable power
10 purchase contract costs attributable to the customer. The
11 commission shall incorporate the determination into an existing
12 proceeding before the commission, and shall ensure that the
13 charges are nonbypassable. Until the commission has made a
14 determination regarding the nonbypassable charges, net metering
15 shall continue under the same rules, procedures, terms, and
16 conditions as were applicable on December 31, 2002.

17 (m) In implementing the requirements of subdivisions (k) and
18 (l), a customer-generator shall not be required to replace its
19 existing meter except as set forth in paragraph (3) of subdivision
20 (b), nor shall the electric service provider require additional
21 measurement of usage beyond that which is necessary for
22 customers in the same rate class as the eligible
23 customer-generator.

24 (n) On or before January 1, 2005, the commission shall submit
25 a report to the Governor and the Legislature that assesses the
26 economic and environmental costs and benefits of net metering
27 to customer-generators, ratepayers, and utilities, including any
28 beneficial and adverse effects on public benefit programs and
29 special purpose surcharges. The report shall be prepared by an
30 independent party under contract with the commission.

31 (o) It is the intent of the Legislature that the Treasurer
32 incorporate net energy metering and co-energy metering projects
33 undertaken pursuant to this section as sustainable building
34 methods or distributive energy technologies for purposes of
35 evaluating low-income housing projects.

36 SEC. 7. Section 2851 is added to Chapter 9 of Part 2 of
37 Division 1 of the Public Utilities Code, to read:

38 2851. (a) In implementing the California Solar Initiative, the
39 commission shall do all of the following:

1 (1) The commission shall authorize the award of monetary
2 incentives for up to the first megawatt of alternating current
3 generated by solar energy systems that meet the eligibility
4 criteria established by the State Energy Resources Conservation
5 and Development Commission pursuant to Chapter 8.8
6 (commencing with Section 25780) of Division 15 of the Public
7 Resources Code. The commission shall determine the eligibility
8 of a solar energy system, as defined in Section 25781 of the
9 Public Resources Code, to receive monetary incentives until the
10 time the State Energy Resources Conservation and Development
11 Commission establishes eligibility criteria pursuant to Section
12 25782. Monetary incentives shall not be awarded for solar energy
13 systems that do not meet the eligibility criteria. The incentive
14 level authorized by the commission shall decline each year
15 following implementation of the California Solar Initiative, at a
16 rate of no less than an average of 7 percent per year, and shall be
17 zero as of December 31, 2016. The commission shall adopt and
18 publish a schedule of declining incentive levels no less than 30
19 days in advance of the first decline in incentive levels. The
20 commission may develop incentives based upon the output of
21 electricity from the system, provided those incentives are
22 consistent with the declining incentive levels of this paragraph
23 and the incentives apply to only the first megawatt of electricity
24 generated by the system.

25 (2) The commission shall adopt a performance-based incentive
26 program so that by January 1, 2008, 100 percent of incentives for
27 solar energy systems of 100 kilowatts or greater and at least 50
28 percent of incentives for solar energy systems of 30 kilowatts or
29 greater are earned based on the actual electrical output of the
30 solar energy systems. The commission shall encourage, and may
31 require, performance-based incentives for solar energy systems
32 of less than 30 kilowatts. Performance-based incentives shall
33 decline at a rate of no less than *an average of* 7 percent per year.
34 In developing the performance-based incentives, the commission
35 may:

36 (A) Apply performance-based incentives only to customer
37 classes designated by the commission.

38 (B) Design the performance-based incentives so that
39 customers may receive a higher level of incentives than under
40 incentives based on installed electrical capacity.

1 (C) Develop financing options that help offset the installation
2 costs of the solar energy system, provided that this financing is
3 ultimately repaid in full by the consumer or through the
4 application of the performance-based rebates.

5 (3) By January 1, 2008, the commission, in consultation with
6 the State Energy Resources Conservation and Development
7 Commission, shall require reasonable and cost-effective energy
8 efficiency improvements in existing buildings as a condition of
9 providing incentives for eligible solar energy systems, with
10 appropriate exemptions or limitations to accommodate the
11 limited financial resources of low-income residential housing.

12 (4) Notwithstanding subdivision (g) of Section 2827, the
13 commission shall require time-variant pricing for all ratepayers
14 with a solar energy system. The commission shall develop a
15 time-variant tariff that creates the maximum incentive for
16 ratepayers to install solar energy systems so that the system's
17 peak electricity production coincides with California's peak
18 electricity demands and that assures that ratepayers receive due
19 value for their contribution to the purchase of solar energy
20 systems and customers with solar energy systems continue to
21 have an incentive to use electricity efficiently. In developing the
22 time-variant tariff, the commission may exclude customers
23 participating in the tariff from the rate cap for residential
24 customers for existing baseline quantities or usage by those
25 customers of up to 130 percent of existing baseline quantities, as
26 required by Section 80110 of the Water Code. Nothing in this
27 paragraph authorizes the commission to require time-variant
28 pricing for ratepayers without a solar energy system.

29 *(b) Notwithstanding subdivision (a), in implementing the*
30 *California Solar Initiative, the commission may authorize the*
31 *award of monetary incentives for solar thermal and solar water*
32 *heating devices, in a total amount up to one hundred million*
33 *eight hundred thousand dollars (\$100,800,000).*

34 ~~(b)~~

35 (c) (1) In implementing the California Solar Initiative, the
36 commission shall not allocate ~~any additional moneys~~ *more than*
37 *fifty million dollars (\$50,000,000)* to research, development, and
38 demonstration that explores solar technologies and other
39 distributed generation technologies that employ or could employ
40 solar energy for generation or storage of electricity or to offset

1 natural gas usage. *Any program that allocates additional moneys*
2 *to research, development, and demonstration shall be developed*
3 *in collaboration with the Energy Commission to ensure there is*
4 *no duplication of efforts, and adopted by the commission through*
5 *a rulemaking or other appropriate public proceeding. Any grant*
6 *awarded by the commission for research, development, and*
7 *demonstration shall be approved by the full commission at a*
8 *public meeting. This subdivision does not prohibit the*
9 commission from continuing to allocate moneys to research,
10 development, and demonstration pursuant to the self-generation
11 incentive program for distributed generation resources originally
12 established pursuant to Chapter 329 of the Statutes of 2000, as
13 modified pursuant to Section 379.6.

14 (2) The Legislature finds and declares that a program that
15 provides a stable source of monetary incentives for eligible solar
16 energy systems will encourage private investment sufficient to
17 make solar technologies cost effective.

18 (3) On or before June 30, 2009, and by June 30th of every year
19 thereafter, the commission shall submit to the Legislature an
20 assessment of the success of the California Solar Initiative
21 program. That assessment shall include *the number of residential*
22 *and commercial sites that have installed solar thermal devices*
23 *for which an award was made pursuant to subdivision (b) and*
24 *the dollar value of the award, the number of residential and*
25 commercial sites that have installed solar energy systems, the
26 electrical generating capacity of the installed solar energy
27 systems, the cost of the program, total electrical system benefits,
28 including the effect on electrical service rates, environmental
29 benefits, how the program affects the operation and reliability of
30 the electrical grid, how the program has affected peak demand
31 for electricity, the progress made toward reaching the goals of the
32 program, whether the program is on schedule to meet the
33 program goals, and recommendations for improving the program
34 to meet its goals. *If the commission allocates additional moneys*
35 *to research, development, and demonstration that explores solar*
36 *technologies and other distributed generation technologies*
37 *pursuant to paragraph (1), the commission shall include in the*
38 *assessment submitted to the Legislature, a description of the*
39 *program, a summary of each award made or project funded*
40 *pursuant to the program, including the intended purposes to be*

1 *achieved by the particular award or project, and the results of*
2 *each award or project.*

3 ~~(e)~~

4 (d) (1) The commission shall not impose any charge upon the
5 consumption of natural gas, or upon natural gas ratepayers, to
6 fund the California Solar Initiative.

7 (2) Notwithstanding any other provision of law, any charge
8 imposed to fund the program adopted and implemented pursuant
9 to this section shall be imposed upon all customers not
10 participating in the California Alternate Rates for Energy
11 (CARE) or family electric rate assistance (FERA) programs as
12 provided in paragraph (2), including those residential customers
13 subject to the rate cap required by Section 80110 of the Water
14 Code for existing baseline quantities or usage up to 130 percent
15 of existing baseline quantities of electricity.

16 (3) The costs of the program adopted and implemented
17 pursuant to this section may not be recovered from customers
18 participating in the California Alternate Rates for Energy or
19 CARE program established pursuant to Section 739.1, except to
20 the extent that program costs are recovered out of the
21 nonbypassable system benefits charge authorized pursuant to
22 Section 399.8.

23 ~~(f)~~

24 (e) In implementing the California Solar Initiative, the
25 commission shall ensure that the total cost over the duration of
26 the program does not exceed three billion ~~two hundred million~~
27 ~~dollars (\$3,200,000,000)~~ *three hundred fifty million eight*
28 *hundred thousand dollars (\$3,350,800,000)*. The financial
29 components of the California Solar Initiative shall consist of the
30 following:

31 (1) Programs under the supervision of the commission funded
32 by charges collected from customers of San Diego Gas and
33 Electric Company, Southern California Edison Company, and
34 Pacific Gas and Electric Company. The total cost over the
35 duration of these programs shall not exceed two billion ~~sixteen~~
36 ~~million dollars (\$2,016,000,000)~~ *one hundred sixty-six million*
37 *eight hundred thousand dollars (\$2,166,800,000)* and includes
38 moneys collected directly into a tracking account for support of
39 the California Solar Initiative and moneys collected into other

1 accounts that are used to further the goals of the California Solar
2 Initiative.

3 (2) Programs adopted, implemented, and financed in the
4 amount of seven hundred eighty-four million dollars
5 (\$784,000,000), by charges collected by local publicly owned
6 electric utilities pursuant to Section 387.5. Nothing in this
7 subdivision shall give the commission power and jurisdiction
8 with respect to a local publicly owned electric utility or its
9 customers.

10 (3) Programs for the installation of solar energy systems on
11 new construction, administered by the State Energy Resources
12 Conservation and Development Commission pursuant to Chapter
13 8.6 (commencing with Section 25740) of Division 15 of the
14 Public Resources Code, and funded by nonbypassable charges in
15 the amount of four hundred million dollars (\$400,000,000),
16 collected from customers of San Diego Gas and Electric
17 Company, Southern California Edison Company, and Pacific Gas
18 and Electric Company pursuant to Article 15 (commencing with
19 Section 399).

20 SEC. 8. The Contractors' State License Board shall review
21 and, if needed, revise its licensing classifications and
22 examinations to ensure that contractors authorized to perform
23 work on solar energy systems subject to Chapter 8.8
24 (commencing with Section 25780) of Division 15 of the Public
25 Resources Code, have the requisite qualifications to perform the
26 work.

27 SEC. 9. No reimbursement is required by this act pursuant to
28 Section 6 of Article XIII B of the California Constitution because
29 a local agency or school district has the authority to levy service
30 charges, fees, or assessments sufficient to pay for the program or
31 level of service mandated by this act, within the meaning of
32 Section 17556 of the Government Code.