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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 327

Introduced by Assembly Member Perea

(Coauthors: Assembly Members ~~Bigelow, Bonilla, Buchanan, Daly, Eggman, Fox, Beth Gaines, Garcia, Gray, Olsen, Pan, and Wagner and Pan~~)

(Coauthors: Senators ~~Cannella and Correa~~)

(Coauthor: Senator ~~Correa~~)

February 13, 2013

An act to amend Sections 382, 399.15, 739.1, ~~and 2827, and 2827.10~~ of, to amend and renumber Section 2827.1 of, to add ~~Section~~ *Sections 769 and 2827.1* to, and to repeal and add Sections 739.9 and 745 of, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 327, as amended, Perea. Electricity: natural gas: rates: net energy metering: California Renewables Portfolio Standard Program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges

be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. The CARE program provides lower rates to low-income customers that are financed through a separate rate component, which is required to be a nonbypassable element of the local distribution service and collected on the basis of usage. Eligibility for the CARE program is for those electric and gas customers with annual household incomes that are no greater than 200% of the federal poverty guideline levels.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as

determined by a specified needs assessment. The bill would require that this needs assessment be performed not less often than every 3rd year. The bill would revise the CARE program eligibility requirements to provide that for one-person households, program eligibility would be based on 2-person household guideline levels. The bill would require the commission, when establishing the CARE discounts for an electrical corporation with 100,000 or more customer accounts in California, to ensure that the average effective CARE discount be no less than 30% and no more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers and that the entire discount be provided in the form of a reduction in the overall bill for the eligible CARE customer. The bill would require that increases to rates and charges in rate design proceedings, including any reduction in the CARE discount, be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 1, 2014. The bill would authorize the commission to approve new, or expand existing, fixed charges, as defined, for an electrical corporation for the purpose of collecting a reasonable portion of the fixed costs of providing service to residential customers. The bill would require the commission to ensure that any new or expanded fixed charges reasonably reflect an appropriate portion of the different costs of serving small and large customers, do not unreasonably impair incentives for conservation and energy efficiency, and do not overburden low-income and moderate-income customers. The bill would impose a \$10 limit per residential customer account per month for customers not enrolled in the CARE program, would impose a \$5 per month limit per residential customer account per month for customers enrolled in the CARE program, and would, beginning January 1, 2016, authorize the commission to adjust this maximum allowable fixed charge by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year. The bill would authorize the commission to consider whether minimum bills are an appropriate substitute for any fixed charges.

Existing law prohibits the commission from requiring or permitting an electrical corporation to do any of the following: (1) employ mandatory or default time-variant pricing, as defined, with or without bill protection, as defined, for residential customers prior to January 1, 2013, (2) employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014, or (3) employ mandatory or default real-time pricing, without bill

protection, for residential customers prior to January 1, 2020. Existing law authorizes the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. Existing law requires the commission to only approve an electrical corporation's use of default time-variant pricing for residential customers, beginning January 1, 2014, if those residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges, as specified, as a result of the exercise of that option. Existing law exempts certain customers from being subject to default time-variant pricing.

This bill would delete these provisions and instead prohibit the commission from requiring or permitting an electrical corporation from employing mandatory or default time-variant pricing, as defined, for any residential customer, except that beginning January 1, 2018, the commission may require or authorize an electrical corporation to employ default time-of-use pricing to residential customers, subject to specified limitations and conditions. The bill would permit the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The bill would provide that a residential customer would have the option to not receive service pursuant to time-variant pricing and not incur any additional charge as a result of the exercise of that option. Unless the commission has authorized an electrical corporation to employ default time-of-use pricing, the bill would require the commission to require each electrical corporation to offer default rates to residential customers with at least 2 usage tiers and would require that the first tier include electricity usage of no less than the baseline quantity established by the commission. The bill would authorize the commission to modify the baseline seasonal definitions and applicable percentage of average consumption for one or more climate zones.

Existing law requires every electric utility, defined to include an electrical corporation, local publicly owned electric utility, or an electrical cooperative, to develop a standard contract or tariff providing for net energy metering, as defined, and to make this contract or tariff available to eligible customer generators, as defined, upon request for generation by a renewable electrical generation facility, as defined. An electric utility, upon request, is required to make available to eligible customer generators contracts or tariffs 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 5% of the electric utility's aggregate customer peak demand. Existing law authorizes a local publicly owned electric utility to elect to instead offer co-energy metering, which uses a generation-to-generation energy and time-of-use credit formula, as specified.

~~This bill would require a large electrical corporation, defined as an electrical corporation with more than 100,000 service connections in California, to provide net energy metering to additional eligible customer-generators in its service area through December 31, 2016, or until the utility has made a specified amount of nameplate generating capacity available to eligible customer-generators, whichever occurs first. The bill would require the commission to develop a standard contract or tariff for eligible customer-generators with a renewable electrical generation facility that are customers of a large electrical corporation no later than July 1, 2015. In developing the standard contract or tariff for large electrical corporations, the commission would be required to (1) establish rates, terms of service, and billing rules for eligible customer-generators, (2) ensure that the standard contract or tariff is based on the electric system costs and benefits received by nonparticipating customers of the electrical corporation for the renewable electrical generation facility located on the customer's premises, and (3) preserve nonparticipant ratepayer indifference. The bill would require a large electrical corporation to offer the standard contract or tariff to an eligible customer-generator beginning January 1, 2017, or prior to that date if ordered to do so by the commission because it has reached the specified nameplate generating capacity limit established for the corporation. The bill would provide that there is no limitation on the number of new eligible customer-generators entitled to receive service pursuant to the standard contract or tariff developed by the commission for a large electrical corporation. The bill would provide that an eligible customer-generator receiving service under a net energy metering standard contract or tariff with a large electrical corporation, pursuant to existing law, continues to be eligible for service pursuant to that contract or tariff until December 31, 2020. After that date, the eligible customer-generator would be eligible to receive service pursuant to the standard contract or tariff developed by the commission for a large electrical corporation.~~

This bill would require a large electrical corporation, defined as an electrical corporation with more than 100,000 service connections in

California, to provide net energy metering to additional eligible customer-generators in its service area through July 1, 2017, or until the corporation reaches its net energy metering program limit, as specified. The bill would require the commission to develop a standard contract or tariff for eligible customer-generators with a renewable electrical generation facility that is a customer of a large electrical corporation no later than December 31, 2015. In developing the standard contract or tariff for large electrical corporations, the commission would be required to take specified actions. The bill would require the large electrical corporation to offer the standard contract or tariff to an eligible customer-generator beginning July 1, 2017, or prior to that date if ordered to do so by the commission because it has reached the net energy metering program limit established for the corporation. The bill would provide that there shall be no limitation on the number of new eligible customer-generators entitled to receive service pursuant to the new standard contract or tariff developed by the commission for a large electrical corporation.

Existing law provides that a fuel cell electrical generation facility is not eligible for the tariff unless it commences operation before January 1, 2015.

This bill would instead provide that a customer with a fuel cell that has local air quality benefits is eligible for the tariff for a period of time to be determined by the commission.

The Public Utilities Act requires each electrical corporation, as a part of its distribution planning process, to consider specified nonutility owned distributed energy resources as an alternative to investments in its distribution system to ensure reliable electric services at the lowest possible costs.

This bill would require an electrical corporation, by July 1, 2015, to submit to the commission a distribution resources plan proposal, as specified, to identify optimal locations for the deployment of preferred resources, as defined. The bill would require the commission to review each distribution resources plan proposal submitted by an electrical corporation and approve, or modify and approve, a distribution resources plan for the corporation. The bill would require that any electrical corporation spending on distribution infrastructure necessary to accomplish the distribution resources plan be proposed and considered as part of the next general rate case for the corporation and would authorize the commission to approve this proposed spending if

it concludes that ratepayers would realize net benefits and the associated costs are just and reasonable.

The California Renewables Portfolio Standard Program requires the Public Utilities Commission to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-customers during specified compliance periods. The program additionally requires each local publicly owned electric utility, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources to achieve the targets established by the program. Existing law prohibits the commission from requiring the procurement of eligible renewable energy resources in excess of the specified quantities.

This bill would authorize the commission to require a retail seller to procure eligible renewable energy resources in excess of the specified quantities.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because portions of this bill are within the act and require action by the commission to implement their requirements, a violation of these provisions would impose a state-mandated local program by creating a new crime or expanding an existing crime.

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 a specified reason.

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 382 of the Public Utilities Code is
- 2 amended to read:
- 3 382. (a) Programs provided to low-income electricity
- 4 customers, including, but not limited to, targeted energy-efficiency
- 5 services and the California Alternate Rates for Energy program

1 shall be funded at not less than 1996 authorized levels based on
2 an assessment of customer need.

3 (b) In order to meet legitimate needs of electric and gas
4 customers who are unable to pay their electric and gas bills and
5 who satisfy eligibility criteria for assistance, recognizing that
6 electricity is a basic necessity, and that all residents of the state
7 should be able to afford essential electricity and gas supplies, the
8 commission shall ensure that low-income ratepayers are not
9 jeopardized or overburdened by monthly energy expenditures.
10 Energy expenditure may be reduced through the establishment of
11 different rates for low-income ratepayers, different levels of rate
12 assistance, and energy efficiency programs.

13 (c) Nothing in this section shall be construed to prohibit electric
14 and gas providers from offering any special rate or program for
15 low-income ratepayers that is not specifically required in this
16 section.

17 (d) Beginning in 2002, an assessment of the needs of
18 low-income electricity and gas ratepayers shall be conducted
19 periodically by the commission with the assistance of the
20 Low-Income Oversight Board. A periodic assessment shall be
21 made not less often than every third year. The assessment shall
22 evaluate low-income program implementation and the effectiveness
23 of weatherization services and energy efficiency measures in
24 low-income households. The assessment shall consider whether
25 existing programs adequately address low-income electricity and
26 gas customers' energy expenditures, hardship, language needs,
27 and economic burdens.

28 (e) The commission shall, by not later than December 31, 2020,
29 ensure that all eligible low-income electricity and gas customers
30 are given the opportunity to participate in low-income energy
31 efficiency programs, including customers occupying apartments
32 or similar multiunit residential structures. The commission and
33 electrical corporations and gas corporations shall make all
34 reasonable efforts to coordinate ratepayer-funded programs with
35 other energy conservation and efficiency programs and to obtain
36 additional federal funding to support actions undertaken pursuant
37 to this subdivision.

38 These programs shall be designed to provide long-term
39 reductions in energy consumption at the dwelling unit based on
40 an audit or assessment of the dwelling unit, and may include

1 improved insulation, energy efficient appliances, measures that
2 utilize solar energy, and other improvements to the physical
3 structure.

4 (f) The commission shall allocate funds necessary to meet the
5 low-income objectives in this section.

6 SEC. 2. Section 399.15 of the Public Utilities Code is amended
7 to read:

8 399.15. (a) In order to fulfill unmet long-term resource needs,
9 the commission shall establish a renewables portfolio standard
10 requiring all retail sellers to procure a minimum quantity of
11 electricity products from eligible renewable energy resources as
12 a specified percentage of total kilowatthours sold to their retail
13 end-use customers each compliance period to achieve the targets
14 established under this article. For any retail seller procuring at least
15 14 percent of retail sales from eligible renewable energy resources
16 in 2010, the deficits associated with any previous renewables
17 portfolio standard shall not be added to any procurement
18 requirement pursuant to this article.

19 (b) The commission shall implement renewables portfolio
20 standard procurement requirements only as follows:

21 (1) Each retail seller shall procure a minimum quantity of
22 eligible renewable energy resources for each of the following
23 compliance periods:

24 (A) January 1, 2011, to December 31, 2013, inclusive.

25 (B) January 1, 2014, to December 31, 2016, inclusive.

26 (C) January 1, 2017, to December 31, 2020, inclusive.

27 (2) (A) No later than January 1, 2012, the commission shall
28 establish the quantity of electricity products from eligible
29 renewable energy resources to be procured by the retail seller for
30 each compliance period. These quantities shall be established in
31 the same manner for all retail sellers and result in the same
32 percentages used to establish compliance period quantities for all
33 retail sellers.

34 (B) In establishing quantities for the compliance period from
35 January 1, 2011, to December 31, 2013, inclusive, the commission
36 shall require procurement for each retail seller equal to an average
37 of 20 percent of retail sales. For the following compliance periods,
38 the quantities shall reflect reasonable progress in each of the
39 intervening years sufficient to ensure that the procurement of
40 electricity products from eligible renewable energy resources

1 achieves 25 percent of retail sales by December 31, 2016, and 33
2 percent of retail sales by December 31, 2020. The commission
3 shall require retail sellers to procure not less than 33 percent of
4 retail sales of electricity products from eligible renewable energy
5 resources in all subsequent years.

6 (C) Retail sellers shall be obligated to procure no less than the
7 quantities associated with all intervening years by the end of each
8 compliance period. Retail sellers shall not be required to
9 demonstrate a specific quantity of procurement for any individual
10 intervening year.

11 (3) The commission may require the procurement of eligible
12 renewable energy resources in excess of the quantities specified
13 in paragraph (2).

14 (4) Only for purposes of establishing the renewables portfolio
15 standard procurement requirements of paragraph (1) and
16 determining the quantities pursuant to paragraph (2), the
17 commission shall include all electricity sold to retail customers by
18 the Department of Water Resources pursuant to Division 27
19 (commencing with Section 80000) of the Water Code in the
20 calculation of retail sales by an electrical corporation.

21 (5) The commission shall waive enforcement of this section if
22 it finds that the retail seller has demonstrated any of the following
23 conditions are beyond the control of the retail seller and will
24 prevent compliance:

25 (A) There is inadequate transmission capacity to allow for
26 sufficient electricity to be delivered from proposed eligible
27 renewable energy resource projects using the current operational
28 protocols of the Independent System Operator. In making its
29 findings relative to the existence of this condition with respect to
30 a retail seller that owns transmission lines, the commission shall
31 consider both of the following:

32 (i) Whether the retail seller has undertaken, in a timely fashion,
33 reasonable measures under its control and consistent with its
34 obligations under local, state, and federal laws and regulations, to
35 develop and construct new transmission lines or upgrades to
36 existing lines intended to transmit electricity generated by eligible
37 renewable energy resources. In determining the reasonableness of
38 a retail seller's actions, the commission shall consider the retail
39 seller's expectations for full-cost recovery for these transmission
40 lines and upgrades.

1 (ii) Whether the retail seller has taken all reasonable operational
2 measures to maximize cost-effective deliveries of electricity from
3 eligible renewable energy resources in advance of transmission
4 availability.

5 (B) Permitting, interconnection, or other circumstances that
6 delay procured eligible renewable energy resource projects, or
7 there is an insufficient supply of eligible renewable energy
8 resources available to the retail seller. In making a finding that this
9 condition prevents timely compliance, the commission shall
10 consider whether the retail seller has done all of the following:

11 (i) Prudently managed portfolio risks, including relying on a
12 sufficient number of viable projects.

13 (ii) Sought to develop one of the following: its own eligible
14 renewable energy resources, transmission to interconnect to eligible
15 renewable energy resources, or energy storage used to integrate
16 eligible renewable energy resources. This clause shall not require
17 an electrical corporation to pursue development of eligible
18 renewable energy resources pursuant to Section 399.14.

19 (iii) Procured an appropriate minimum margin of procurement
20 above the minimum procurement level necessary to comply with
21 the renewables portfolio standard to compensate for foreseeable
22 delays or insufficient supply.

23 (iv) Taken reasonable measures, under the control of the retail
24 seller, to procure cost-effective distributed generation and allowable
25 unbundled renewable energy credits.

26 (C) Unanticipated curtailment of eligible renewable energy
27 resources necessary to address the needs of a balancing authority.

28 (6) If the commission waives the compliance requirements of
29 this section, the commission shall establish additional reporting
30 requirements on the retail seller to demonstrate that all reasonable
31 actions under the control of the retail seller are taken in each of
32 the intervening years sufficient to satisfy future procurement
33 requirements.

34 (7) The commission shall not waive enforcement pursuant to
35 this section, unless the retail seller demonstrates that it has taken
36 all reasonable actions under its control, as set forth in paragraph
37 (5), to achieve full compliance.

38 (8) If a retail seller fails to procure sufficient eligible renewable
39 energy resources to comply with a procurement requirement
40 pursuant to paragraphs (1) and (2) and fails to obtain an order from

1 the commission waiving enforcement pursuant to paragraph (5),
2 the commission shall exercise its authority pursuant to Section
3 2113.

4 (9) Deficits associated with the compliance period shall not be
5 added to a future compliance period.

6 (c) The commission shall establish a limitation for each electrical
7 corporation on the procurement expenditures for all eligible
8 renewable energy resources used to comply with the renewables
9 portfolio standard. In establishing this limitation, the commission
10 shall rely on the following:

11 (1) The most recent renewable energy procurement plan.

12 (2) Procurement expenditures that approximate the expected
13 cost of building, owning, and operating eligible renewable energy
14 resources.

15 (3) The potential that some planned resource additions may be
16 delayed or canceled.

17 (d) In developing the limitation pursuant to subdivision (c), the
18 commission shall ensure all of the following:

19 (1) The limitation is set at a level that prevents disproportionate
20 rate impacts.

21 (2) The costs of all procurement credited toward achieving the
22 renewables portfolio standard are counted towards the limitation.

23 (3) Procurement expenditures do not include any indirect
24 expenses, including imbalance energy charges, sale of excess
25 energy, decreased generation from existing resources, transmission
26 upgrades, or the costs associated with relicensing any utility-owned
27 hydroelectric facilities.

28 (e) (1) No later than January 1, 2016, the commission shall
29 prepare a report to the Legislature assessing whether each electrical
30 corporation can achieve a 33-percent renewables portfolio standard
31 by December 31, 2020, and maintain that level thereafter, within
32 the adopted cost limitations. If the commission determines that it
33 is necessary to change the limitation for procurement costs incurred
34 by any electrical corporation after that date, it may propose a
35 revised cap consistent with the criteria in subdivisions (c) and (d).
36 The proposed modifications shall take effect no earlier than January
37 1, 2017.

38 (2) Notwithstanding Section 10231.5 of the Government Code,
39 the requirement for submitting a report imposed under paragraph
40 (1) is inoperative on January 1, 2021.

1 (3) A report to be submitted pursuant to paragraph (1) shall be
2 submitted in compliance with Section 9795 of the Government
3 Code.

4 (f) If the cost limitation for an electrical corporation is
5 insufficient to support the projected costs of meeting the
6 renewables portfolio standard procurement requirements, the
7 electrical corporation may refrain from entering into new contracts
8 or constructing facilities beyond the quantity that can be procured
9 within the limitation, unless eligible renewable energy resources
10 can be procured without exceeding a de minimis increase in rates,
11 consistent with the long-term procurement plan established for the
12 electrical corporation pursuant to Section 454.5.

13 (g) (1) The commission shall monitor the status of the cost
14 limitation for each electrical corporation in order to ensure
15 compliance with this article.

16 (2) If the commission determines that an electrical corporation
17 may exceed its cost limitation prior to achieving the renewables
18 portfolio standard procurement requirements, the commission shall
19 do both of the following within 60 days of making that
20 determination:

21 (A) Investigate and identify the reasons why the electrical
22 corporation may exceed its annual cost limitation.

23 (B) Notify the appropriate policy and fiscal committees of the
24 Legislature that the electrical corporation may exceed its cost
25 limitation, and include the reasons why the electrical corporation
26 may exceed its cost limitation.

27 (h) The establishment of a renewables portfolio standard shall
28 not constitute implementation by the commission of the federal
29 Public Utility Regulatory Policies Act of 1978 (Public Law
30 95-617).

31 SEC. 3. Section 739.1 of the Public Utilities Code is amended
32 to read:

33 739.1. (a) The commission shall continue a program of
34 assistance to low-income electric and gas customers with annual
35 household incomes that are no greater than 200 percent of the
36 federal poverty guideline levels, the cost of which shall not be
37 borne solely by any single class of customer. For one-person
38 households, program eligibility shall be based on two-person
39 household guideline levels. The program shall be referred to as
40 the California Alternate Rates for Energy or CARE program. The

1 commission shall ensure that the level of discount for low-income
2 electric and gas customers correctly reflects the level of need.

3 (b) The commission shall establish rates for CARE program
4 participants, subject to both of the following:

5 (1) That the commission ensure that low-income ratepayers are
6 not jeopardized or overburdened by monthly energy expenditures,
7 pursuant to subdivision (b) of Section 382.

8 (2) That the level of the discount for low-income electricity and
9 gas ratepayers correctly reflects the level of need as determined
10 by the needs assessment conducted pursuant to subdivision (d) of
11 Section 382.

12 (c) In establishing CARE discounts for an electrical corporation
13 with 100,000 or more customer accounts in California, the
14 commission shall ensure all of the following:

15 (1) The average effective CARE discount shall not be less than
16 30 percent or more than 35 percent of the revenues that would
17 have been produced for the same billed usage by non-CARE
18 customers. The average effective discount determined by the
19 commission shall reflect any charges not paid by CARE customers,
20 including payments for the California Solar Initiative, payments
21 for the self-generation incentive program made pursuant to Section
22 379.6, payment of the separate rate component to fund the CARE
23 program made pursuant to subdivision (a) of Section 381, payments
24 made to the Department of Water Resources pursuant to Division
25 27 (commencing with Section 80000) of the Water Code, and any
26 discount in a fixed charge. The average effective CARE discount
27 shall be calculated as a weighted average of the CARE discounts
28 provided to individual customers.

29 (2) If an electrical corporation provides an average effective
30 CARE discount in excess of the maximum percentage specified
31 in paragraph (1), the electrical corporation shall not reduce, on an
32 annual basis, the average effective CARE discount by more than
33 a reasonable percentage decrease below the discount in effect on
34 January 1, 2013, or that the electrical corporation had been
35 authorized to place in effect by that date.

36 (3) The entire discount shall be provided in the form of a
37 reduction in the overall bill for the eligible CARE customer.

38 (d) The commission shall work with electrical and gas
39 corporations to establish penetration goals. The commission shall
40 authorize recovery of all administrative costs associated with the

1 implementation of the CARE program that the commission
2 determines to be reasonable, through a balancing account
3 mechanism. Administrative costs shall include, but are not limited
4 to, outreach, marketing, regulatory compliance, certification and
5 verification, billing, measurement and evaluation, and capital
6 improvements and upgrades to communications and processing
7 equipment.

8 (e) The commission shall examine methods to improve CARE
9 enrollment and participation. This examination shall include, but
10 need not be limited to, comparing information from CARE and
11 the Universal Lifeline Telephone Service (ULTS) to determine
12 the most effective means of utilizing that information to increase
13 CARE enrollment, automatic enrollment of ULTS customers who
14 are eligible for the CARE program, customer privacy issues, and
15 alternative mechanisms for outreach to potential enrollees. The
16 commission shall ensure that a customer consents prior to
17 enrollment. The commission shall consult with interested parties,
18 including ULTS providers, to develop the best methods of
19 informing ULTS customers about other available low-income
20 programs, as well as the best mechanism for telephone providers
21 to recover reasonable costs incurred pursuant to this section.

22 (f) (1) The commission shall improve the CARE application
23 process by cooperating with other entities and representatives of
24 California government, including the California Health and Human
25 Services Agency and the Secretary of California Health and Human
26 Services, to ensure that all gas and electric customers eligible for
27 public assistance programs in California that reside within the
28 service territory of an electrical corporation or gas corporation,
29 are enrolled in the CARE program. The commission may determine
30 that gas and electric customers are categorically eligible for CARE
31 assistance if they are enrolled in other public assistance programs
32 with substantially the same income eligibility requirements as the
33 CARE program. To the extent practicable, the commission shall
34 develop a CARE application process using the existing ULTS
35 application process as a model. The commission shall work with
36 electrical and gas corporations and the Low-Income Oversight
37 Board established in Section 382.1 to meet the low-income
38 objectives in this section.

39 (2) The commission shall ensure that an electrical corporation
40 or gas corporation with a commission-approved program to provide

1 discounts based upon economic need in addition to the CARE
2 program, including a Family Electric Rate Assistance program,
3 utilize a single application form, to enable an applicant to
4 alternatively apply for any assistance program for which the
5 applicant may be eligible. It is the intent of the Legislature to allow
6 applicants under one program, that may not be eligible under that
7 program, but that may be eligible under an alternative assistance
8 program based upon economic need, to complete a single
9 application for any commission-approved assistance program
10 offered by the public utility.

11 (g) It is the intent of the Legislature that the commission ensure
12 CARE program participants receive affordable electric and gas
13 service that does not impose an unfair economic burden on those
14 participants.

15 (h) The commission's program of assistance to low-income
16 electric and gas customers shall, as soon as practicable, include
17 nonprofit group living facilities specified by the commission, if
18 the commission finds that the residents in these facilities
19 substantially meet the commission's low-income eligibility
20 requirements and there is a feasible process for certifying that the
21 assistance shall be used for the direct benefit, such as improved
22 quality of care or improved food service, of the low-income
23 residents in the facilities. The commission shall authorize utilities
24 to offer discounts to eligible facilities licensed or permitted by
25 appropriate state or local agencies, and to facilities, including
26 women's shelters, hospices, and homeless shelters, that may not
27 have a license or permit but provide other proof satisfactory to the
28 utility that they are eligible to participate in the program.

29 (i) (1) In addition to existing assessments of eligibility, an
30 electrical corporation may require proof of income eligibility for
31 those CARE program participants whose electricity usage, in any
32 monthly or other billing period, exceeds 400 percent of baseline
33 usage. The authority of an electrical corporation to require proof
34 of income eligibility is not limited by the means by which the
35 CARE program participant enrolled in the program, including if
36 the participant was automatically enrolled in the CARE program
37 because of participation in a governmental assistance program. If
38 a CARE program participant's electricity usage exceeds 400
39 percent of baseline usage, the electrical corporation may require
40 the CARE program participant to participate in the Energy Savings

1 Assistance Program (ESAP), which includes a residential energy
2 assessment, in order to provide the CARE program participant
3 with information and assistance in reducing his or her energy usage.
4 Continued participation in the CARE program may be conditioned
5 upon the CARE program participant agreeing to participate in
6 ESAP within 45 days of notice being given by the electrical
7 corporation pursuant to this paragraph. The electrical corporation
8 may require the CARE program participant to notify the utility of
9 whether the residence is rented, and if so, a means by which to
10 contact the landlord, and the electrical corporation may share any
11 evaluation and recommendation relative to the residential structure
12 that is made as part of an energy assessment, with the landlord of
13 the CARE program participant. Requirements imposed pursuant
14 to this paragraph shall be consistent with procedures adopted by
15 the commission.

16 (2) If a CARE program participant's electricity usage exceeds
17 600 percent of baseline usage, the electrical corporation shall
18 require the CARE program participant to participate in ESAP,
19 which includes a residential energy assessment, in order to provide
20 the CARE program participant with information and assistance in
21 reducing his or her energy usage. Continued participation in the
22 CARE program shall be conditioned upon the CARE program
23 participant agreeing to participate in ESAP within 45 days of a
24 notice made by the electrical corporation pursuant to this paragraph.
25 The electrical corporation may require the CARE program
26 participant to notify the utility of whether the residence is rented,
27 and if so, a means by which to contact the landlord, and the
28 electrical corporation may share any evaluation and
29 recommendation relative to the residential structure that is made
30 as part of an energy assessment, with the landlord of the CARE
31 program participant. Following the completion of the energy
32 assessment, if the CARE program participant's electricity usage
33 continues to exceed 600 percent of baseline usage, the electrical
34 corporation may remove the CARE program participant from the
35 program if the removal is consistent with procedures adopted by
36 the commission. Nothing in this paragraph shall prevent a CARE
37 program participant with electricity usage exceeding 600 percent
38 of baseline usage from participating in an appeals process with the
39 electrical corporation to determine whether the participant's usage
40 levels are legitimate.

1 (3) A CARE program participant in a rental residence shall not
2 be removed from the program in situations where the landlord is
3 nonresponsive when contacted by the electrical corporation or
4 does not provide for ESAP participation.

5 SEC. 4. Section 739.9 of the Public Utilities Code is repealed.

6 SEC. 5. Section 739.9 is added to the Public Utilities Code, to
7 read:

8 739.9. (a) “Fixed charge” means any fixed customer charge,
9 basic service fee, demand differentiated basic service fee, demand
10 charge, or other charge not based upon the volume of electricity
11 consumed.

12 (b) Increases to electrical rates and charges in rate design
13 proceedings, including any reduction in the California Alternate
14 Rates for Energy (CARE) discount, shall be reasonable and subject
15 to a reasonable phase-in schedule relative to the rates and charges
16 in effect prior to January 1, 2014.

17 (c) Except as provided in subdivision (c) of Section 745, the
18 commission shall require each electrical corporation to offer default
19 rates to residential customers with at least two usage tiers. The
20 first tier shall include electricity usage of no less than the baseline
21 quantity established pursuant to paragraph (1) of subdivision (d)
22 of Section 739.

23 (d) Consistent with the requirements of Section 739, the
24 commission may modify the seasonal definitions and applicable
25 percentage of average consumption for one or more climatic zones.

26 (e) The commission may adopt new, or expand existing, fixed
27 charges for the purpose of collecting a reasonable portion of the
28 fixed costs of providing electric service to residential customers.
29 The commission shall ensure that any approved charges do all of
30 the following:

31 (1) Reasonably reflect an appropriate portion of the different
32 costs of serving small and large customers.

33 (2) Not unreasonably impair incentives for conservation and
34 energy efficiency.

35 (3) Not overburden low-income customers.

36 (f) For the purposes of this section and Section 739.1, the
37 commission may, beginning January 1, 2015, authorize fixed
38 charges that do not exceed ten dollars (\$10) per residential
39 customer account per month for customers not enrolled in the
40 CARE program and five dollars (\$5) per residential customer

1 account per month for customers enrolled in the CARE program.
2 Beginning January 1, 2016, the maximum allowable fixed charge
3 may be adjusted by no more than the annual percentage increase
4 in the Consumer Price Index or the prior calendar year. This
5 subdivision applies to any default rate schedule, at least one
6 optional tiered rate schedule, and at least one optional time variant
7 rate schedule.

8 (g) This section does not require the commission to approve
9 any new or expanded fixed charge.

10 (h) The commission may consider whether minimum bills are
11 appropriate as a substitute for any fixed charges.

12 SEC. 6. Section 745 of the Public Utilities Code is repealed.

13 SEC. 7. Section 745 is added to the Public Utilities Code, to
14 read:

15 745. (a) For purposes of this section, “time-variant pricing”
16 includes time-of-use rates, critical peak pricing, and real-time
17 pricing, but does not include programs that provide customers with
18 discounts from standard tariff rates as an incentive to reduce
19 consumption at certain times, including peak time rebates.

20 (b) The commission may authorize an electrical corporation to
21 offer residential customers the option of receiving service pursuant
22 to time-variant pricing and to participate in other demand response
23 programs. The commission shall not establish a mandatory or
24 default time-variant pricing tariff for any residential customer
25 except as authorized in subdivision (c).

26 (c) Beginning January 1, 2018, the commission may require or
27 authorize an electrical corporation to employ default time-of-use
28 pricing for residential customers subject to all of the following:

29 (1) Residential customers receiving a medical baseline allowance
30 pursuant to subdivision (c) of Section 739, customers requesting
31 third-party notification pursuant to subdivision (c) of Section 779.1,
32 customers who the commission has ordered cannot be disconnected
33 from service without an in-person visit from a utility representative
34 (Decision 12-03-054 (March 22, 2012), Decision on Phase II
35 Issues: Adoption of Practices to Reduce the Number of Gas and
36 Electric Service Disconnections, Order 2 (b) at page 55), and other
37 customers designated by the commission in its discretion shall not
38 be subject to default time-of-use pricing without their affirmative
39 consent.

1 (2) The commission shall ensure that any time-of-use rate
 2 schedule does not cause unreasonable hardship for senior citizens
 3 or economically vulnerable customers in hot climate zones.

4 (3) The commission shall strive for time-of-use rate schedules
 5 that utilize time periods that are appropriate for at least the
 6 following five years.

7 (4) A residential customer shall not be subject to a default
 8 time-of-use rate schedule unless that residential customer has been
 9 provided with not less than one year of interval usage data from
 10 an advanced meter and associated customer education and,
 11 following the passage of this period, is provided with no less than
 12 one year of bill protection during which the total amount paid by
 13 the residential customer for electric service shall not exceed the
 14 amount that would have been payable by the residential customer
 15 under that customer’s previous rate schedule.

16 (5) Each electrical corporation shall provide each residential
 17 customer, not less than once per year, using a reasonable delivery
 18 method of the customer’s choosing, a summary of available tariff
 19 options with a calculation of expected annual bill impacts under
 20 each available tariff. The summary shall not be provided to
 21 customers who notify the utility that they choose not to receive
 22 the summary. The reasonable costs of providing this service shall
 23 be recovered in rates.

24 (6) Residential customers have the option to not receive service
 25 pursuant to a time-of-use rate schedule and incur no additional
 26 charges as a result of the exercise of that option. Prohibited charges
 27 include, but are not limited to, administrative fees for switching
 28 away from time-of-use pricing, hedging premiums that exceed any
 29 actual costs of hedging, and more than a proportional share of any
 30 discounts or other incentives paid to customers to increase
 31 participation in time-of-use pricing. This prohibition on additional
 32 charges is not intended to ensure that a customer will necessarily
 33 experience a lower total bill as a result of the exercise of the option
 34 to not receive service pursuant to a time-of-use rate schedule.

35 ~~SEC. 8. 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 combined with net surplus~~
 39 ~~compensation, co-energy metering, and wind energy co-metering~~
 40 ~~for eligible customer-generators is one way to encourage substantial~~

1 private investment in renewable energy resources, stimulate in-state
2 economic growth, reduce demand for electricity during peak
3 consumption periods, help stabilize California's energy supply
4 infrastructure, enhance the continued diversification of California's
5 energy resource mix, reduce interconnection and administrative
6 costs for electricity suppliers, and encourage conservation and
7 efficiency.

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

10 (1) "Co-energy metering" means a program that is the same in
11 all other respects as a net energy metering program, except that
12 the local publicly owned electric utility has elected to apply a
13 generation-to-generation energy and time-of-use credit formula
14 as provided in subdivision (i).

15 (2) "Electrical cooperative" means an electrical cooperative as
16 defined in Section 2776.

17 (3) "Electric utility" means an electrical corporation, a local
18 publicly owned electric utility, or an electrical cooperative, or any
19 other entity, except an electric service provider, that offers electrical
20 service. This section shall not apply to a local publicly owned
21 electric utility that serves more than 750,000 customers and that
22 also conveys water to its customers.

23 (4) "Eligible customer-generator" means a residential customer,
24 small commercial customer as defined in subdivision (h) of Section
25 331, or commercial, industrial, or agricultural customer of an
26 electric utility, who uses a renewable electrical generation facility,
27 or a combination of those facilities, with a total capacity of not
28 more than one megawatt, that is located on the customer's owned,
29 leased, or rented premises, and is interconnected and operates in
30 parallel with the electrical grid, and is intended primarily to offset
31 part or all of the customer's own electrical requirements.

32 (5) "Large electrical corporation" means a an electrical
33 corporation with more than 100,000 service connections in
34 California.

35 (6) "Net energy metering" means measuring the difference
36 between the electricity supplied through the electrical grid and the
37 electricity generated by an eligible customer-generator and fed
38 back to the electrical grid over a 12-month period as described in
39 subdivisions (e) and (h).

1 ~~(7) “Net surplus customer-generator” means an eligible~~
2 ~~customer-generator that generates more electricity during a~~
3 ~~12-month period than is supplied by the electric utility to the~~
4 ~~eligible customer-generator during the same 12-month period.~~

5 ~~(8) “Net surplus electricity” means all electricity generated by~~
6 ~~an eligible customer-generator measured in kilowatthours over a~~
7 ~~12-month period that exceeds the amount of electricity consumed~~
8 ~~by that eligible customer-generator.~~

9 ~~(9) “Net surplus electricity compensation” means a per~~
10 ~~kilowatthour rate offered by the electric utility to the net surplus~~
11 ~~customer-generator for net surplus electricity that is set by the~~
12 ~~ratemaking authority pursuant to subdivision (h).~~

13 ~~(10) “Ratemaking authority” means, for an electrical~~
14 ~~corporation, the commission, for an electrical cooperative, its~~
15 ~~ratesetting body selected by its shareholders or members, and for~~
16 ~~a local publicly owned electric utility, the local elected body~~
17 ~~responsible for setting the rates of the local publicly owned utility.~~

18 ~~(11) “Renewable electrical generation facility” means a facility~~
19 ~~that generates electricity from a renewable source listed in~~
20 ~~paragraph (1) of subdivision (a) of Section 25741 of the Public~~
21 ~~Resources Code. A small hydroelectric generation facility is not~~
22 ~~an eligible renewable electrical generation facility if it will cause~~
23 ~~an adverse impact on instream beneficial uses or cause a change~~
24 ~~in the volume or timing of streamflow.~~

25 ~~(12) “Wind energy co-metering” means any wind energy project~~
26 ~~greater than 50 kilowatts, but not exceeding one megawatt, where~~
27 ~~the difference between the electricity supplied through the electrical~~
28 ~~grid and the electricity generated by an eligible customer-generator~~
29 ~~and fed back to the electrical grid over a 12-month period is as~~
30 ~~described in subdivision (h). Wind energy co-metering shall be~~
31 ~~accomplished pursuant to Section 2827.8.~~

32 ~~(e) (1) Except as provided in paragraph (4) and in Section~~
33 ~~2827.1, every electric utility shall develop a standard contract or~~
34 ~~tariff providing for net energy metering, and shall make this~~
35 ~~standard contract or tariff available to eligible customer-generators,~~
36 ~~upon request, on a first-come-first-served basis until the time that~~
37 ~~the total rated generating capacity used by eligible~~
38 ~~customer-generators exceeds 5 percent of the electric utility’s~~
39 ~~aggregate customer peak demand. Net energy metering shall be~~
40 ~~accomplished using a single meter capable of registering the flow~~

1 of electricity in two directions. An additional meter or meters to
2 monitor the flow of electricity in each direction may be installed
3 with the consent of the eligible customer-generator, at the expense
4 of the electric utility, and the additional metering shall be used
5 only to provide the information necessary to accurately bill or
6 credit the eligible customer-generator pursuant to subdivision (h),
7 or to collect generating system performance information for
8 research purposes relative to a renewable electrical generation
9 facility. If the existing electrical meter of an eligible
10 customer-generator is not capable of measuring the flow of
11 electricity in two directions, the eligible customer-generator shall
12 be responsible for all expenses involved in purchasing and
13 installing a meter that is able to measure electricity flow in two
14 directions. If an additional meter or meters are installed, the net
15 energy metering calculation shall yield a result identical to that of
16 a single meter. An eligible customer-generator that is receiving
17 service other than through the standard contract or tariff may elect
18 to receive service through the standard contract or tariff until the
19 electric utility reaches the generation limit set forth in this
20 paragraph. Once the generation limit is reached, only eligible
21 customer-generators that had previously elected to receive service
22 pursuant to the standard contract or tariff have a right to continue
23 to receive service pursuant to the standard contract or tariff.
24 Eligibility for net energy metering does not limit an eligible
25 customer-generator's eligibility for any other rebate, incentive, or
26 credit provided by the electric utility, or pursuant to any
27 governmental program, including rebates and incentives provided
28 pursuant to the California Solar Initiative.

29 (2) An electrical corporation shall include a provision in the net
30 energy metering contract or tariff requiring that any customer with
31 an existing electrical generating facility and meter who enters into
32 a new net energy metering contract shall provide an inspection
33 report to the electrical corporation, unless the electrical generating
34 facility and meter have been installed or inspected within the
35 previous three years. The inspection report shall be prepared by a
36 California licensed contractor who is not the owner or operator of
37 the facility and meter. A California licensed electrician shall
38 perform the inspection of the electrical portion of the facility and
39 meter.

1 ~~(3) (A) On an annual basis, every electric utility shall make~~
2 ~~available to the ratemaking authority information on the total rated~~
3 ~~generating capacity used by eligible customer-generators that are~~
4 ~~customers of that provider in the provider's service area and the~~
5 ~~net surplus electricity purchased by the electric utility pursuant to~~
6 ~~this section.~~

7 ~~(B) An electric service provider operating pursuant to Section~~
8 ~~394 shall make available to the ratemaking authority the~~
9 ~~information required by this paragraph for each eligible~~
10 ~~customer-generator that is their customer for each service area of~~
11 ~~an electrical corporation, local publicly owned electrical utility,~~
12 ~~or electrical cooperative, in which the eligible customer-generator~~
13 ~~has net energy metering.~~

14 ~~(C) The ratemaking authority shall develop a process for making~~
15 ~~the information required by this paragraph available to electric~~
16 ~~utilities, and for using that information to determine when, pursuant~~
17 ~~to paragraphs (1) and (4), an electric utility is not obligated to~~
18 ~~provide net energy metering to additional eligible~~
19 ~~customer-generators in its service area.~~

20 ~~(4) (A) An electric utility that is not a large electrical~~
21 ~~corporation is not obligated to provide net energy metering to~~
22 ~~additional eligible customer-generators in its service area when~~
23 ~~the combined total peak demand of all electricity used by eligible~~
24 ~~customer-generators served by all the electric utilities in that~~
25 ~~service area furnishing net energy metering to eligible~~
26 ~~customer-generators exceeds 5 percent of the aggregate customer~~
27 ~~peak demand of those electric utilities.~~

28 ~~(B) A large electrical corporation shall, continuously and without~~
29 ~~interruption, provide net energy metering to additional eligible~~
30 ~~customer-generators in its service area through December 31, 2016,~~
31 ~~or until the utility has made the following amount of capacity~~
32 ~~available, whichever occurs first:~~

33 ~~(i) For San Diego Gas and Electric Company, when it has made~~
34 ~~607 megawatts of nameplate generating capacity available to~~
35 ~~eligible customer-generators.~~

36 ~~(ii) For Southern California Edison Company, when it has made~~
37 ~~2,240 megawatts of nameplate generating capacity available to~~
38 ~~eligible customer-generators.~~

1 (iii) For Pacific Gas and Electric Company, when it has made
2 2,409 megawatts of nameplate generating capacity available to
3 eligible customer-generators:

4 (C) Beginning January 1, 2017, or upon reaching the capacity
5 limitations of subparagraph (B), the obligation of a large electrical
6 corporation to provide service pursuant to a standard contract or
7 tariff shall be pursuant to Section 2827.1.

8 (5) An eligible customer-generator receiving service under a
9 net energy metering standard contract or tariff with a large
10 electrical corporation, pursuant to this section, shall continue to
11 be eligible for service pursuant to that contract or tariff until
12 December 31, 2020. Beginning January 1, 2017, the standard
13 contract or tariff eligibility shall not transfer with a change in
14 customer or ownership of the renewable electrical generation
15 facility.

16 (d) Every electric utility shall make all necessary forms and
17 contracts for net energy metering and net surplus electricity
18 compensation service available for download from the Internet.

19 (e) (1) Every electric utility shall ensure that requests for
20 establishment of net energy metering and net surplus electricity
21 compensation are processed in a time period not exceeding that
22 for similarly situated customers requesting new electric service,
23 but not to exceed 30 working days from the date it receives a
24 completed application form for net energy metering service or net
25 surplus electricity compensation, including a signed interconnection
26 agreement from an eligible customer-generator and the electric
27 inspection clearance from the governmental authority having
28 jurisdiction.

29 (2) Every electric utility shall ensure that requests for an
30 interconnection agreement from an eligible customer-generator
31 are processed in a time period not to exceed 30 working days from
32 the date it receives a completed application form from the eligible
33 customer-generator for an interconnection agreement.

34 (3) If an electric utility is unable to process a request within the
35 allowable timeframe pursuant to paragraph (1) or (2), it shall notify
36 the eligible customer-generator and the ratemaking authority of
37 the reason for its inability to process the request and the expected
38 completion date.

39 (f) (1) If a customer participates in direct transactions pursuant
40 to paragraph (1) of subdivision (b) of Section 365, or Section 365.1,

1 with an electric service provider that does not provide distribution
2 service for the direct transactions, the electric utility that provides
3 distribution service for the eligible customer-generator is not
4 obligated to provide net energy metering or net surplus electricity
5 compensation to the customer.

6 (2) ~~If a customer participates in direct transactions pursuant to
7 paragraph (1) of subdivision (b) of Section 365 with an electric
8 service provider, and the customer is an eligible
9 customer-generator, the electric utility that provides distribution
10 service for the direct transactions may recover from the customer's
11 electric service provider the incremental costs of metering and
12 billing service related to net energy metering and net surplus
13 electricity compensation in an amount set by the ratemaking
14 authority.~~

15 (g) ~~Except for the time-variant kilowatthour pricing portion of
16 any tariff adopted by the commission pursuant to paragraph (4) of
17 subdivision (a) of Section 2851, each net energy metering contract
18 or tariff shall be identical, with respect to rate structure, all retail
19 rate components, and any monthly charges, to the contract or tariff
20 to which the same customer would be assigned if the customer did
21 not use a renewable electrical generation facility, except that
22 eligible customer-generators shall not be assessed standby charges
23 on the electrical generating capacity or the kilowatthour production
24 of a renewable electrical generation facility. The charges for all
25 retail rate components for eligible customer-generators shall be
26 based exclusively on the customer-generator's net kilowatthour
27 consumption over a 12-month period, without regard to the eligible
28 customer-generator's choice as to from whom it purchases
29 electricity that is not self-generated. Any new or additional demand
30 charge, standby charge, customer charge, minimum monthly
31 charge, interconnection charge, or any other charge that would
32 increase an eligible customer-generator's costs beyond those of
33 other customers who are not eligible customer-generators in the
34 rate class to which the eligible customer-generator would otherwise
35 be assigned if the customer did not own, lease, rent, or otherwise
36 operate a renewable electrical generation facility is contrary to the
37 intent of this section, and shall not form a part of net energy
38 metering contracts or tariffs.~~

39 (h) ~~For eligible customer-generators, the net energy metering
40 calculation shall be made by measuring the difference between~~

1 the electricity supplied to the eligible customer-generator and the
2 electricity generated by the eligible customer-generator and fed
3 back to the electrical grid over a 12-month period. The following
4 rules shall apply to the annualized net metering calculation:

5 (1) The ~~eligible residential or small commercial~~
6 ~~customer-generator, at the end of each 12-month period following~~
7 ~~the date of final interconnection of the eligible~~
8 ~~customer-generator's system with an electric utility, and at each~~
9 ~~anniversary date thereafter, shall be billed for electricity used~~
10 ~~during that 12-month period. The electric utility shall determine~~
11 ~~if the eligible residential or small commercial customer-generator~~
12 ~~was a net consumer or a net surplus customer-generator during~~
13 ~~that period.~~

14 (2) ~~At the end of each 12-month period, where the electricity~~
15 ~~supplied during the period by the electric utility exceeds the~~
16 ~~electricity generated by the eligible residential or small commercial~~
17 ~~customer-generator during that same period, the eligible residential~~
18 ~~or small commercial customer-generator is a net electricity~~
19 ~~consumer and the electric utility shall be owed compensation for~~
20 ~~the eligible customer-generator's net kilowatthour consumption~~
21 ~~over that 12-month period. The compensation owed for the eligible~~
22 ~~residential or small commercial customer-generator's consumption~~
23 ~~shall be calculated as follows:~~

24 (A) ~~For all eligible customer-generators taking service under~~
25 ~~contracts or tariffs employing "baseline" and "over baseline" rates,~~
26 ~~any net monthly consumption of electricity shall be calculated~~
27 ~~according to the terms of the contract or tariff to which the same~~
28 ~~customer would be assigned to, or be eligible for, if the customer~~
29 ~~was not an eligible customer-generator. If those same~~
30 ~~customer-generators are net generators over a billing period, the~~
31 ~~net kilowatthours generated shall be valued at the same price per~~
32 ~~kilowatthour as the electric utility would charge for the baseline~~
33 ~~quantity of electricity during that billing period, and if the number~~
34 ~~of kilowatthours generated exceeds the baseline quantity, the excess~~
35 ~~shall be valued at the same price per kilowatthour as the electric~~
36 ~~utility would charge for electricity over the baseline quantity during~~
37 ~~that billing period.~~

38 (B) ~~For all eligible customer-generators taking service under~~
39 ~~contracts or tariffs employing time-of-use rates, any net monthly~~
40 ~~consumption of electricity shall be calculated according to the~~

1 terms of the contract or tariff to which the same customer would
2 be assigned, or be eligible for, if the customer was not an eligible
3 customer-generator. When those same customer-generators are
4 net generators during any discrete time-of-use period, the net
5 kilowatthours produced shall be valued at the same price per
6 kilowatthour as the electric utility would charge for retail
7 kilowatthour sales during that same time-of-use period. If the
8 eligible customer-generator's time-of-use electrical meter is unable
9 to measure the flow of electricity in two directions, paragraph (1)
10 of subdivision (c) shall apply.

11 (C) For all eligible residential and small commercial
12 customer-generators and for each billing period, the net balance
13 of moneys owed to the electric utility for net consumption of
14 electricity or credits owed to the eligible customer-generator for
15 net generation of electricity shall be carried forward as a monetary
16 value until the end of each 12-month period. For all eligible
17 commercial, industrial, and agricultural customer-generators, the
18 net balance of moneys owed shall be paid in accordance with the
19 electric utility's normal billing cycle, except that if the eligible
20 commercial, industrial, or agricultural customer-generator is a net
21 electricity producer over a normal billing cycle, any excess
22 kilowatthours generated during the billing cycle shall be carried
23 over to the following billing period as a monetary value, calculated
24 according to the procedures set forth in this section, and appear as
25 a credit on the eligible commercial, industrial, or agricultural
26 customer-generator's account, until the end of the annual period
27 when paragraph (3) shall apply.

28 (3) At the end of each 12-month period, where the electricity
29 generated by the eligible customer-generator during the 12-month
30 period exceeds the electricity supplied by the electric utility during
31 that same period, the eligible customer-generator is a net surplus
32 customer-generator and the electric utility, upon an affirmative
33 election by the net surplus customer-generator, shall either (A)
34 provide net surplus electricity compensation for any net surplus
35 electricity generated during the prior 12-month period, or (B) allow
36 the net surplus customer-generator to apply the net surplus
37 electricity as a credit for kilowatthours subsequently supplied by
38 the electric utility to the net surplus customer-generator. For an
39 eligible customer-generator that does not affirmatively elect to
40 receive service pursuant to net surplus electricity compensation,

1 the electric utility shall retain any excess kilowatthours generated
2 during the prior 12-month period. The eligible customer-generator
3 not affirmatively electing to receive service pursuant to net surplus
4 electricity compensation shall not be owed any compensation for
5 the net surplus electricity unless the electric utility enters into a
6 purchase agreement with the eligible customer-generator for those
7 excess kilowatthours. Every electric utility shall provide notice to
8 eligible customer-generators that they are eligible to receive net
9 surplus electricity compensation for net surplus electricity, that
10 they must elect to receive net surplus electricity compensation,
11 and that the 12-month period commences when the electric utility
12 receives the eligible customer-generator's election. For an electric
13 utility that is an electrical corporation or electrical cooperative,
14 the commission may adopt requirements for providing notice and
15 the manner by which eligible customer-generators may elect to
16 receive net surplus electricity compensation.

17 (4) (A) An eligible customer-generator with multiple meters
18 may elect to aggregate the electrical load of the meters located on
19 the property where the renewable electrical generation facility is
20 located and on all property adjacent or contiguous to the property
21 on which the renewable electrical generation facility is located, if
22 those properties are solely owned, leased, or rented by the eligible
23 customer-generator. If the eligible customer-generator elects to
24 aggregate the electric load pursuant to this paragraph, the electric
25 utility shall use the aggregated load for the purpose of determining
26 whether an eligible customer-generator is a net consumer or a net
27 surplus customer-generator during a 12-month period.

28 (B) If an eligible customer-generator chooses to aggregate
29 pursuant to subparagraph (A), the eligible customer-generator shall
30 be permanently ineligible to receive net surplus electricity
31 compensation, and the electric utility shall retain any kilowatthours
32 in excess of the eligible customer-generator's aggregated electrical
33 load generated during the 12-month period.

34 (C) If an eligible customer-generator with multiple meters elects
35 to aggregate the electrical load of those meters pursuant to
36 subparagraph (A), and different rate schedules are applicable to
37 service at any of those meters, the electricity generated by the
38 renewable electrical generation facility shall be allocated to each
39 of the meters in proportion to the electrical load served by those
40 meters. For example, if the eligible customer-generator receives

1 electric service through three meters, two meters being at an
2 agricultural rate that each provide service to 25 percent of the
3 customer's total load, and a third meter, at a commercial rate, that
4 provides service to 50 percent of the customer's total load, then
5 50 percent of the electrical generation of the eligible renewable
6 generation facility shall be allocated to the third meter that provides
7 service at the commercial rate and 25 percent of the generation
8 shall be allocated to each of the two meters providing service at
9 the agricultural rate. This proportionate allocation shall be
10 computed each billing period.

11 (D) This paragraph shall not become operative for an electrical
12 corporation unless the commission determines that allowing
13 eligible customer-generators to aggregate their load from multiple
14 meters will not result in an increase in the expected revenue
15 obligations of customers who are not eligible customer-generators.
16 The commission shall make this determination by September 30,
17 2013. In making this determination, the commission shall determine
18 if there are any public purpose or other noncommodity charges
19 that the eligible customer-generators would pay pursuant to the
20 net energy metering program as it exists prior to aggregation, that
21 the eligible customer-generator would not pay if permitted to
22 aggregate the electrical load of multiple meters pursuant to this
23 paragraph.

24 (E) A local publicly owned electric utility or electrical
25 cooperative shall only allow eligible customer-generators to
26 aggregate their load if the utility's ratemaking authority determines
27 that allowing eligible customer-generators to aggregate their load
28 from multiple meters will not result in an increase in the expected
29 revenue obligations of customers that are not eligible
30 customer-generators. The ratemaking authority of a local publicly
31 owned electric utility or electrical cooperative shall make this
32 determination within 180 days of the first request made by an
33 eligible customer-generator to aggregate their load. In making the
34 determination, the ratemaking authority shall determine if there
35 are any public purpose or other noncommodity charges that the
36 eligible customer-generator would pay pursuant to the net energy
37 metering or co-energy metering program of the utility as it exists
38 prior to aggregation, that the eligible customer-generator would
39 not pay if permitted to aggregate the electrical load of multiple
40 meters pursuant to this paragraph. If the ratemaking authority

1 ~~determines that load aggregation will not cause an incremental~~
2 ~~rate impact on the utility's customers that are not eligible~~
3 ~~customer-generators, the local publicly owned electric utility or~~
4 ~~electrical cooperative shall permit an eligible customer-generator~~
5 ~~to elect to aggregate the electrical load of multiple meters pursuant~~
6 ~~to this paragraph. The ratemaking authority may reconsider any~~
7 ~~determination made pursuant to this subparagraph in a subsequent~~
8 ~~public proceeding.~~

9 ~~(F) For purposes of this paragraph, parcels that are divided by~~
10 ~~a street, highway, or public thoroughfare are considered contiguous,~~
11 ~~provided they are otherwise contiguous and under the same~~
12 ~~ownership.~~

13 ~~(G) An eligible customer-generator may only elect to aggregate~~
14 ~~the electrical load of multiple meters if the renewable electrical~~
15 ~~generation facility, or a combination of those facilities, has a total~~
16 ~~generating capacity of not more than one megawatt.~~

17 ~~(H) Notwithstanding subdivision (g), an eligible~~
18 ~~customer-generator electing to aggregate the electrical load of~~
19 ~~multiple meters pursuant to this subdivision shall remit service~~
20 ~~charges for the cost of providing billing services to the electric~~
21 ~~utility that provides service to the meters.~~

22 ~~(5) (A) The ratemaking authority shall establish a net surplus~~
23 ~~electricity compensation valuation to compensate the net surplus~~
24 ~~customer-generator for the value of net surplus electricity generated~~
25 ~~by the net surplus customer-generator. The commission shall~~
26 ~~establish the valuation in a ratemaking proceeding. The ratemaking~~
27 ~~authority for a local publicly owned electric utility shall establish~~
28 ~~the valuation in a public proceeding. The net surplus electricity~~
29 ~~compensation valuation shall be established so as to provide the~~
30 ~~net surplus customer-generator just and reasonable compensation~~
31 ~~for the value of net surplus electricity, while leaving other~~
32 ~~ratepayers unaffected. The ratemaking authority shall determine~~
33 ~~whether the compensation will include, where appropriate~~
34 ~~justification exists, either or both of the following components:~~

35 ~~(i) The value of the electricity itself.~~

36 ~~(ii) The value of the renewable attributes of the electricity.~~

37 ~~(B) In establishing the rate pursuant to subparagraph (A), the~~
38 ~~ratemaking authority shall ensure that the rate does not result in a~~
39 ~~shifting of costs between eligible customer-generators and other~~
40 ~~bundled service customers.~~

1 ~~(6) (A) Upon adoption of the net surplus electricity~~
2 ~~compensation rate by the ratemaking authority, any renewable~~
3 ~~energy credit, as defined in Section 399.12, for net surplus~~
4 ~~electricity purchased by the electric utility shall belong to the~~
5 ~~electric utility. Any renewable energy credit associated with~~
6 ~~electricity generated by the eligible customer-generator that is~~
7 ~~utilized by the eligible customer-generator shall remain the property~~
8 ~~of the eligible customer-generator.~~

9 ~~(B) Upon adoption of the net surplus electricity compensation~~
10 ~~rate by the ratemaking authority, the net surplus electricity~~
11 ~~purchased by the electric utility shall count toward the electric~~
12 ~~utility's renewables portfolio standard annual procurement targets~~
13 ~~for the purposes of paragraph (1) of subdivision (b) of Section~~
14 ~~399.15, or for a local publicly owned electric utility, the renewables~~
15 ~~portfolio standard annual procurement targets established pursuant~~
16 ~~to Section 387.~~

17 ~~(7) The electric utility shall provide every eligible residential~~
18 ~~or small commercial customer-generator with net electricity~~
19 ~~consumption and net surplus electricity generation information~~
20 ~~with each regular bill. That information shall include the current~~
21 ~~monetary balance owed the electric utility for net electricity~~
22 ~~consumed, or the net surplus electricity generated, since the last~~
23 ~~12-month period ended. Notwithstanding this subdivision, an~~
24 ~~electric utility shall permit that customer to pay monthly for net~~
25 ~~energy consumed.~~

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

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

1 shall commence on the date on which the new electric service
2 provider or electric utility first supplies electric service to the
3 customer-generator.

4 (i) Notwithstanding any other provisions of this section,
5 paragraphs (1), (2), and (3) shall apply to an eligible
6 customer-generator with a capacity of more than 10 kilowatts, but
7 not exceeding one megawatt, that receives electric service from a
8 local publicly owned electric utility that has elected to utilize a
9 co-energy metering program unless the local publicly owned
10 electric utility chooses to provide service for eligible
11 customer-generators with a capacity of more than 10 kilowatts in
12 accordance with subdivisions (g) and (h):

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

27 (2) The consumption of electricity from the local publicly owned
28 electric utility shall result in a cost to the eligible
29 customer-generator to be priced in accordance with the standard
30 rate charged to the eligible customer-generator in accordance with
31 the rate structure to which the customer would be assigned if the
32 customer did not use a renewable electrical generation facility.
33 The generation of electricity provided to the local publicly owned
34 electric utility shall result in a credit to the eligible
35 customer-generator and shall be priced in accordance with the
36 generation component, established under the applicable structure
37 to which the customer would be assigned if the customer did not
38 use a renewable electrical generation facility.

39 (3) All costs and credits shall be shown on the eligible
40 customer-generator's bill for each billing period. In any months

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

19 (j) A renewable electrical generation facility used by an eligible
20 customer-generator shall meet all applicable safety and
21 performance standards established by the National Electrical Code,
22 the Institute of Electrical and Electronics Engineers, and accredited
23 testing laboratories, including Underwriters Laboratories
24 Incorporated and, where applicable, rules of the commission
25 regarding safety and reliability. A customer-generator whose
26 renewable electrical generation facility meets those standards and
27 rules shall not be required to install additional controls, perform
28 or pay for additional tests, or purchase additional liability
29 insurance.

30 (k) If the commission determines that there are cost or revenue
31 obligations for an electrical corporation that may not be recovered
32 from customer-generators acting pursuant to this section, those
33 obligations shall remain within the customer class from which any
34 shortfall occurred and shall not be shifted to any other customer
35 class. Net energy metering and co-energy metering customers shall
36 not be exempt from the public goods charges imposed pursuant to
37 Article 7 (commencing with Section 381), Article 8 (commencing
38 with Section 385), or Article 15 (commencing with Section 399)
39 of Chapter 2.3 of Part 1.

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

17 ~~(m) In implementing the requirements of subdivisions (k) and~~
18 ~~(l), an eligible customer-generator shall not be required to replace~~
19 ~~its existing meter except as set forth in paragraph (1) of subdivision~~
20 ~~(e), nor shall the electric utility require additional measurement of~~
21 ~~usage beyond that which is necessary for customers in the same~~
22 ~~rate class as the eligible customer-generator.~~

23 ~~(n) It is the intent of the Legislature that the Treasurer~~
24 ~~incorporate net energy metering, including net surplus electricity~~
25 ~~compensation, co-energy metering, and wind energy co-metering~~
26 ~~projects undertaken pursuant to this section as sustainable building~~
27 ~~methods or distributive energy technologies for purposes of~~
28 ~~evaluating low-income housing projects.~~

29 *SEC. 8. Section 769 is added to the Public Utilities Code, to*
30 *read:*

31 *769. (a) For purposes of this section, "preferred resources"*
32 *means distributed renewable generation resources, energy*
33 *efficiency, energy storage, electric vehicles, and demand response*
34 *technologies.*

35 *(b) Not later than July 1, 2015, each electrical corporation shall*
36 *submit to the commission a distribution resources plan proposal*
37 *to identify optimal locations for the deployment of preferred*
38 *resources. Each proposal shall do all of the following:*

39 *(1) Evaluate locational benefits and costs of preferred resources*
40 *located on the distribution system. This evaluation shall be based*

1 on reductions or increases in local generation capacity needs,
2 avoided or increased investments in distribution infrastructure,
3 safety benefits, reliability benefits, and any other savings the
4 preferred resources provides to the electric grid or costs to
5 ratepayers of the electrical corporation.

6 (2) Propose or identify standard tariffs, contracts, or other
7 mechanisms for the deployment of cost-effective preferred
8 resources that satisfy distribution planning objectives.

9 (3) Propose cost-effective methods of effectively coordinating
10 existing commission-approved programs, incentives, and tariffs
11 to maximize the locational benefits and minimize the incremental
12 costs of preferred resources.

13 (4) Identify any additional utility spending necessary to integrate
14 cost-effective preferred resources into distribution planning
15 consistent with the goal of yielding net benefits to ratepayers.

16 (c) The commission shall review each distribution resources
17 plan proposal submitted by an electrical corporation and approve,
18 or modify and approve, a distribution resources plan for the
19 corporation. The commission may modify any plan as appropriate
20 to minimize overall system costs and maximize ratepayer benefit
21 from investments in preferred resources.

22 (d) Any electrical corporation spending on distribution
23 infrastructure necessary to accomplish the distribution resources
24 plan shall be proposed and considered as part of the next general
25 rate case for the corporation. The commission may approve
26 proposed spending if it concludes that ratepayers would realize
27 net benefits and the associated costs are just and reasonable. The
28 commission may also adopt criteria, benchmarks, and
29 accountability mechanisms to evaluate the success of any
30 investment authorized pursuant to a distribution resources plan.

31 SEC. 9. Section 2827 of the Public Utilities Code is amended
32 to read:

33 2827. (a) The Legislature finds and declares that a program
34 to provide net energy metering combined with net surplus
35 compensation, co-energy metering, and wind energy co-metering
36 for eligible customer-generators is one way to encourage substantial
37 private investment in renewable energy resources, stimulate in-state
38 economic growth, reduce demand for electricity during peak
39 consumption periods, help stabilize California's energy supply
40 infrastructure, enhance the continued diversification of California's

1 energy resource mix, reduce interconnection and administrative
2 costs for electricity suppliers, and encourage conservation and
3 efficiency.

4 (b) As used in this section, the following terms have the
5 following meanings:

6 (1) “Co-energy metering” means a program that is the same in
7 all other respects as a net energy metering program, except that
8 the local publicly owned electric utility has elected to apply a
9 generation-to-generation energy and time-of-use credit formula
10 as provided in subdivision (i).

11 (2) “Electrical cooperative” means an electrical cooperative as
12 defined in Section 2776.

13 (3) “Electric utility” means an electrical corporation, a local
14 publicly owned electric utility, or an electrical cooperative, or any
15 other entity, except an electric service provider, that offers electrical
16 service. This section shall not apply to a local publicly owned
17 electric utility that serves more than 750,000 customers and that
18 also conveys water to its customers.

19 (4) “Eligible customer-generator” means a residential customer,
20 small commercial customer as defined in subdivision (h) of Section
21 331, or commercial, industrial, or agricultural customer of an
22 electric utility, who uses a renewable electrical generation facility,
23 or a combination of those facilities, with a total capacity of not
24 more than one megawatt, that is located on the customer’s owned,
25 leased, or rented premises, and is interconnected and operates in
26 parallel with the electrical grid, and is intended primarily to offset
27 part or all of the customer’s own electrical requirements.

28 ~~(5) “Renewable electrical generation facility” means a facility
29 that generates electricity from a renewable source listed in
30 paragraph (1) of subdivision (a) of Section 25741 of the Public
31 Resources Code. A small hydroelectric generation facility is not
32 an eligible renewable electrical generation facility if it will cause
33 an adverse impact on instream beneficial uses or cause a change
34 in the volume or timing of streamflow.~~

35 ~~(5) “Large electrical corporation” means an electrical
36 corporation with more than 100,000 service connections in
37 California.~~

38 (6) “Net energy metering” means measuring the difference
39 between the electricity supplied through the electrical grid and the
40 electricity generated by an eligible customer-generator and fed

1 back to the electrical grid over a 12-month period as described in
2 subdivisions (c) and (h).

3 (7) “Net surplus customer-generator” means an eligible
4 customer-generator that generates more electricity during a
5 12-month period than is supplied by the electric utility to the
6 eligible customer-generator during the same 12-month period.

7 (8) “Net surplus electricity” means all electricity generated by
8 an eligible customer-generator measured in kilowatthours over a
9 12-month period that exceeds the amount of electricity consumed
10 by that eligible customer-generator.

11 (9) “Net surplus electricity compensation” means a per
12 kilowatthour rate offered by the electric utility to the net surplus
13 customer-generator for net surplus electricity that is set by the
14 ratemaking authority pursuant to subdivision (h).

15 (10) “Ratemaking authority” means, for an electrical
16 corporation, the commission, for an electrical cooperative, its
17 ratesetting body selected by its shareholders or members, and for
18 a local publicly owned electric utility, the local elected body
19 responsible for setting the rates of the local publicly owned utility.

20 (11) *“Renewable electrical generation facility” means a facility*
21 *that generates electricity from a renewable source listed in*
22 *paragraph (1) of subdivision (a) of Section 25741 of the Public*
23 *Resources Code. A small hydroelectric generation facility is not*
24 *an eligible renewable electrical generation facility if it will cause*
25 *an adverse impact on instream beneficial uses or cause a change*
26 *in the volume or timing of streamflow.*

27 (11)

28 (12) “Wind energy co-metering” means any wind energy project
29 greater than 50 kilowatts, but not exceeding one megawatt, where
30 the difference between the electricity supplied through the electrical
31 grid and the electricity generated by an eligible customer-generator
32 and fed back to the electrical grid over a 12-month period is as
33 described in subdivision (h). Wind energy co-metering shall be
34 accomplished pursuant to Section 2827.8.

35 (c) (1) ~~Every~~ *Except as provided in paragraph (4) and in*
36 *Section 2827.1, every* electric utility shall develop a standard
37 contract or tariff providing for net energy metering, and shall make
38 this standard contract or tariff available to eligible
39 customer-generators, upon request, on a first-come-first-served
40 basis until the time that the total rated generating capacity used by

1 eligible customer-generators exceeds 5 percent of the electric
2 utility's aggregate customer peak demand. Net energy metering
3 shall be accomplished using a single meter capable of registering
4 the flow of electricity in two directions. An additional meter or
5 meters to monitor the flow of electricity in each direction may be
6 installed with the consent of the eligible customer-generator, at
7 the expense of the electric utility, and the additional metering shall
8 be used only to provide the information necessary to accurately
9 bill or credit the eligible customer-generator pursuant to subdivision
10 (h), or to collect generating system performance information for
11 research purposes relative to a renewable electrical generation
12 facility. If the existing electrical meter of an eligible
13 customer-generator is not capable of measuring the flow of
14 electricity in two directions, the eligible customer-generator shall
15 be responsible for all expenses involved in purchasing and
16 installing a meter that is able to measure electricity flow in two
17 directions. If an additional meter or meters are installed, the net
18 energy metering calculation shall yield a result identical to that of
19 a single meter. An eligible customer-generator that is receiving
20 service other than through the standard contract or tariff may elect
21 to receive service through the standard contract or tariff until the
22 electric utility reaches the generation limit set forth in this
23 paragraph. Once the generation limit is reached, only eligible
24 customer-generators that had previously elected to receive service
25 pursuant to the standard contract or tariff have a right to continue
26 to receive service pursuant to the standard contract or tariff.
27 Eligibility for net energy metering does not limit an eligible
28 customer-generator's eligibility for any other rebate, incentive, or
29 credit provided by the electric utility, or pursuant to any
30 governmental program, including rebates and incentives provided
31 pursuant to the California Solar Initiative.

32 (2) An electrical corporation shall include a provision in the net
33 energy metering contract or tariff requiring that any customer with
34 an existing electrical generating facility and meter who enters into
35 a new net energy metering contract shall provide an inspection
36 report to the electrical corporation, unless the electrical generating
37 facility and meter have been installed or inspected within the
38 previous three years. The inspection report shall be prepared by a
39 California licensed contractor who is not the owner or operator of
40 the facility and meter. A California licensed electrician shall

1 perform the inspection of the electrical portion of the facility and
2 meter.

3 (3) (A) On an annual basis, every electric utility shall make
4 available to the ratemaking authority information on the total rated
5 generating capacity used by eligible customer-generators that are
6 customers of that provider in the provider's service area and the
7 net surplus electricity purchased by the electric utility pursuant to
8 this section.

9 (B) An electric service provider operating pursuant to Section
10 394 shall make available to the ratemaking authority the
11 information required by this paragraph for each eligible
12 customer-generator that is their customer for each service area of
13 an electrical corporation, local publicly owned electrical utility,
14 or electrical cooperative, in which the eligible customer-generator
15 has net energy metering.

16 (C) The ratemaking authority shall develop a process for making
17 the information required by this paragraph available to electric
18 utilities, and for using that information to determine when, pursuant
19 to paragraphs (1) and (4), an electric utility is not obligated to
20 provide net energy metering to additional eligible
21 customer-generators in its service area.

22 (4) (A) An electric utility *that is not a large electrical*
23 *corporation* is not obligated to provide net energy metering to
24 additional eligible customer-generators in its service area when
25 the combined total peak demand of all electricity used by eligible
26 customer-generators served by all the electric utilities in that
27 service area furnishing net energy metering to eligible
28 customer-generators exceeds 5 percent of the aggregate customer
29 peak demand of those electric utilities.

30 (B) *The commission shall require every large electrical*
31 *corporation to make the standard contract or tariff available to*
32 *eligible customer-generators, continuously and without*
33 *interruption, until such times as the large electrical corporation*
34 *reaches its net energy metering program limit or July 1, 2017,*
35 *whichever is earlier. A large electrical corporation reaches its*
36 *program limit when the combined total peak demand of all*
37 *electricity used by eligible customer-generators served by all the*
38 *electric utilities in the large electrical corporation's service area*
39 *furnishing net energy metering to eligible customer-generators*
40 *exceeds 5 percent of the aggregate customer peak demand of those*

1 *electric utilities. For purposes of calculating a large electrical*
2 *corporation's program limit, "aggregate customer peak demand"*
3 *means the highest sum of the noncoincident peak demands of all*
4 *of the large electrical corporation's customers that occurs in any*
5 *calendar year. To determine the aggregate customer peak demand,*
6 *every large electrical corporation shall use a uniform method*
7 *approved by the commission. The program limit calculated*
8 *pursuant to this paragraph shall not be less than the following:*

9 (i) *For San Diego Gas and Electric Company, when it has made*
10 *607 megawatts of nameplate generating capacity available to*
11 *eligible customer-generators.*

12 (ii) *For Southern California Edison Company, when it has made*
13 *2,240 megawatts of nameplate generating capacity available to*
14 *eligible customer-generators.*

15 (iii) *For Pacific Gas and Electric Company, when it has made*
16 *2,409 megawatts of nameplate generating capacity available to*
17 *eligible customer-generators.*

18 (C) *Every large electrical corporation shall file a monthly report*
19 *with the commission detailing the progress toward the net energy*
20 *metering program limit established in subparagraph (B). The*
21 *report shall include separate calculations on progress toward the*
22 *limits based on operating solar energy systems, cumulative*
23 *numbers of interconnection requests for net energy metering*
24 *eligible systems, and any other criteria required by the commission.*

25 (D) *Beginning July 1, 2017, or upon reaching the net metering*
26 *program limit of subparagraph (B), whichever is earlier, the*
27 *obligation of a large electrical corporation to provide service*
28 *pursuant to a standard contract or tariff shall be pursuant to*
29 *Section 2827.1.*

30 (d) *Every electric utility shall make all necessary forms and*
31 *contracts for net energy metering and net surplus electricity*
32 *compensation service available for download from the Internet.*

33 (e) (1) *Every electric utility shall ensure that requests for*
34 *establishment of net energy metering and net surplus electricity*
35 *compensation are processed in a time period not exceeding that*
36 *for similarly situated customers requesting new electric service,*
37 *but not to exceed 30 working days from the date it receives a*
38 *completed application form for net energy metering service or net*
39 *surplus electricity compensation, including a signed interconnection*
40 *agreement from an eligible customer-generator and the electric*

1 inspection clearance from the governmental authority having
2 jurisdiction.

3 (2) Every electric utility shall ensure that requests for an
4 interconnection agreement from an eligible customer-generator
5 are processed in a time period not to exceed 30 working days from
6 the date it receives a completed application form from the eligible
7 customer-generator for an interconnection agreement.

8 (3) If an electric utility is unable to process a request within the
9 allowable timeframe pursuant to paragraph (1) or (2), it shall notify
10 the eligible customer-generator and the ratemaking authority of
11 the reason for its inability to process the request and the expected
12 completion date.

13 (f) (1) If a customer participates in direct transactions pursuant
14 to paragraph (1) of subdivision (b) of Section 365, or Section 365.1,
15 with an electric service provider that does not provide distribution
16 service for the direct transactions, the electric utility that provides
17 distribution service for the eligible customer-generator is not
18 obligated to provide net energy metering or net surplus electricity
19 compensation to the customer.

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

29 (g) Except for the time-variant kilowatthour pricing portion of
30 any tariff adopted by the commission pursuant to paragraph (4) of
31 subdivision (a) of Section 2851, each net energy metering contract
32 or tariff shall be identical, with respect to rate structure, all retail
33 rate components, and any monthly charges, to the contract or tariff
34 to which the same customer would be assigned if the customer did
35 not use a renewable electrical generation facility, except that
36 eligible customer-generators shall not be assessed standby charges
37 on the electrical generating capacity or the kilowatthour production
38 of a renewable electrical generation facility. The charges for all
39 retail rate components for eligible customer-generators shall be
40 based exclusively on the customer-generator's net kilowatthour

1 consumption over a 12-month period, without regard to the eligible
2 customer-generator's choice as to from whom it purchases
3 electricity that is not self-generated. Any new or additional demand
4 charge, standby charge, customer charge, minimum monthly
5 charge, interconnection charge, or any other charge that would
6 increase an eligible customer-generator's costs beyond those of
7 other customers who are not eligible customer-generators in the
8 rate class to which the eligible customer-generator would otherwise
9 be assigned if the customer did not own, lease, rent, or otherwise
10 operate a renewable electrical generation facility is contrary to the
11 intent of this section, and shall not form a part of net energy
12 metering contracts or tariffs.

13 (h) For eligible customer-generators, the net energy metering
14 calculation shall be made by measuring the difference between
15 the electricity supplied to the eligible customer-generator and the
16 electricity generated by the eligible customer-generator and fed
17 back to the electrical grid over a 12-month period. The following
18 rules shall apply to the annualized net metering calculation:

19 (1) The eligible residential or small commercial
20 customer-generator, at the end of each 12-month period following
21 the date of final interconnection of the eligible
22 customer-generator's system with an electric utility, and at each
23 anniversary date thereafter, shall be billed for electricity used
24 during that 12-month period. The electric utility shall determine
25 if the eligible residential or small commercial customer-generator
26 was a net consumer or a net surplus customer-generator during
27 that period.

28 (2) At the end of each 12-month period, where the electricity
29 supplied during the period by the electric utility exceeds the
30 electricity generated by the eligible residential or small commercial
31 customer-generator during that same period, the eligible residential
32 or small commercial customer-generator is a net electricity
33 consumer and the electric utility shall be owed compensation for
34 the eligible customer-generator's net kilowatt-hour consumption
35 over that 12-month period. The compensation owed for the eligible
36 residential or small commercial customer-generator's consumption
37 shall be calculated as follows:

38 (A) For all eligible customer-generators taking service under
39 contracts or tariffs employing "baseline" and "over baseline" rates,
40 any net monthly consumption of electricity shall be calculated

1 according to the terms of the contract or tariff to which the same
2 customer would be assigned to, or be eligible for, if the customer
3 was not an eligible customer-generator. If those same
4 customer-generators are net generators over a billing period, the
5 net kilowatthours generated shall be valued at the same price per
6 kilowatthour as the electric utility would charge for the baseline
7 quantity of electricity during that billing period, and if the number
8 of kilowatthours generated exceeds the baseline quantity, the excess
9 shall be valued at the same price per kilowatthour as the electric
10 utility would charge for electricity over the baseline quantity during
11 that billing period.

12 (B) For all eligible customer-generators taking service under
13 contracts or tariffs employing time-of-use rates, any net monthly
14 consumption of electricity shall be calculated according to the
15 terms of the contract or tariff to which the same customer would
16 be assigned, or be eligible for, if the customer was not an eligible
17 customer-generator. When those same customer-generators are
18 net generators during any discrete time-of-use period, the net
19 kilowatthours produced shall be valued at the same price per
20 kilowatthour as the electric utility would charge for retail
21 kilowatthour sales during that same time-of-use period. If the
22 eligible customer-generator's time-of-use electrical meter is unable
23 to measure the flow of electricity in two directions, paragraph (1)
24 of subdivision (c) shall apply.

25 (C) For all eligible residential and small commercial
26 customer-generators and for each billing period, the net balance
27 of moneys owed to the electric utility for net consumption of
28 electricity or credits owed to the eligible customer-generator for
29 net generation of electricity shall be carried forward as a monetary
30 value until the end of each 12-month period. For all eligible
31 commercial, industrial, and agricultural customer-generators, the
32 net balance of moneys owed shall be paid in accordance with the
33 electric utility's normal billing cycle, except that if the eligible
34 commercial, industrial, or agricultural customer-generator is a net
35 electricity producer over a normal billing cycle, any excess
36 kilowatthours generated during the billing cycle shall be carried
37 over to the following billing period as a monetary value, calculated
38 according to the procedures set forth in this section, and appear as
39 a credit on the eligible commercial, industrial, or agricultural

1 customer-generator's account, until the end of the annual period
2 when paragraph (3) shall apply.

3 (3) At the end of each 12-month period, where the electricity
4 generated by the eligible customer-generator during the 12-month
5 period exceeds the electricity supplied by the electric utility during
6 that same period, the eligible customer-generator is a net surplus
7 customer-generator and the electric utility, upon an affirmative
8 election by the net surplus customer-generator, shall either (A)
9 provide net surplus electricity compensation for any net surplus
10 electricity generated during the prior 12-month period, or (B) allow
11 the net surplus customer-generator to apply the net surplus
12 electricity as a credit for kilowatthours subsequently supplied by
13 the electric utility to the net surplus customer-generator. For an
14 eligible customer-generator that does not affirmatively elect to
15 receive service pursuant to net surplus electricity compensation,
16 the electric utility shall retain any excess kilowatthours generated
17 during the prior 12-month period. The eligible customer-generator
18 not affirmatively electing to receive service pursuant to net surplus
19 electricity compensation shall not be owed any compensation for
20 the net surplus electricity unless the electric utility enters into a
21 purchase agreement with the eligible customer-generator for those
22 excess kilowatthours. Every electric utility shall provide notice to
23 eligible customer-generators that they are eligible to receive net
24 surplus electricity compensation for net surplus electricity, that
25 they must elect to receive net surplus electricity compensation,
26 and that the 12-month period commences when the electric utility
27 receives the eligible customer-generator's election. For an electric
28 utility that is an electrical corporation or electrical cooperative,
29 the commission may adopt requirements for providing notice and
30 the manner by which eligible customer-generators may elect to
31 receive net surplus electricity compensation.

32 (4) (A) An eligible customer-generator with multiple meters
33 may elect to aggregate the electrical load of the meters located on
34 the property where the renewable electrical generation facility is
35 located and on all property adjacent or contiguous to the property
36 on which the renewable electrical generation facility is located, if
37 those properties are solely owned, leased, or rented by the eligible
38 customer-generator. If the eligible customer-generator elects to
39 aggregate the electric load pursuant to this paragraph, the electric
40 utility shall use the aggregated load for the purpose of determining

1 whether an eligible customer-generator is a net consumer or a net
2 surplus customer-generator during a 12-month period.

3 (B) If an eligible customer-generator chooses to aggregate
4 pursuant to subparagraph (A), the eligible customer-generator shall
5 be permanently ineligible to receive net surplus electricity
6 compensation, and the electric utility shall retain any kilowatthours
7 in excess of the eligible customer-generator's aggregated electrical
8 load generated during the 12-month period.

9 (C) If an eligible customer-generator with multiple meters elects
10 to aggregate the electrical load of those meters pursuant to
11 subparagraph (A), and different rate schedules are applicable to
12 service at any of those meters, the electricity generated by the
13 renewable electrical generation facility shall be allocated to each
14 of the meters in proportion to the electrical load served by those
15 meters. For example, if the eligible customer-generator receives
16 electric service through three meters, two meters being at an
17 agricultural rate that each provide service to 25 percent of the
18 customer's total load, and a third meter, at a commercial rate, that
19 provides service to 50 percent of the customer's total load, then
20 50 percent of the electrical generation of the eligible renewable
21 generation facility shall be allocated to the third meter that provides
22 service at the commercial rate and 25 percent of the generation
23 shall be allocated to each of the two meters providing service at
24 the agricultural rate. This proportionate allocation shall be
25 computed each billing period.

26 (D) This paragraph shall not become operative for an electrical
27 corporation unless the commission determines that allowing
28 eligible customer-generators to aggregate their load from multiple
29 meters will not result in an increase in the expected revenue
30 obligations of customers who are not eligible customer-generators.
31 The commission shall make this determination by September 30,
32 2013. In making this determination, the commission shall determine
33 if there are any public purpose or other noncommodity charges
34 that the eligible customer-generators would pay pursuant to the
35 net energy metering program as it exists prior to aggregation, that
36 the eligible customer-generator would not pay if permitted to
37 aggregate the electrical load of multiple meters pursuant to this
38 paragraph.

39 (E) A local publicly owned electric utility or electrical
40 cooperative shall only allow eligible customer-generators to

1 aggregate their load if the utility’s ratemaking authority determines
2 that allowing eligible customer-generators to aggregate their load
3 from multiple meters will not result in an increase in the expected
4 revenue obligations of customers that are not eligible
5 customer-generators. The ratemaking authority of a local publicly
6 owned electric utility or electrical cooperative shall make this
7 determination within 180 days of the first request made by an
8 eligible customer-generator to aggregate their load. In making the
9 determination, the ratemaking authority shall determine if there
10 are any public purpose or other noncommodity charges that the
11 eligible customer-generator would pay pursuant to the net energy
12 metering or co-energy metering program of the utility as it exists
13 prior to aggregation, that the eligible customer-generator would
14 not pay if permitted to aggregate the electrical load of multiple
15 meters pursuant to this paragraph. If the ratemaking authority
16 determines that load aggregation will not cause an incremental
17 rate impact on the utility’s customers that are not eligible
18 customer-generators, the local publicly owned electric utility or
19 electrical cooperative shall permit an eligible customer-generator
20 to elect to aggregate the electrical load of multiple meters pursuant
21 to this paragraph. The ratemaking authority may reconsider any
22 determination made pursuant to this subparagraph in a subsequent
23 public proceeding.

24 (F) For purposes of this paragraph, parcels that are divided by
25 a street, highway, or public thoroughfare are considered contiguous,
26 provided they are otherwise contiguous and under the same
27 ownership.

28 (G) An eligible customer-generator may only elect to aggregate
29 the electrical load of multiple meters if the renewable electrical
30 generation facility, or a combination of those facilities, has a total
31 generating capacity of not more than one megawatt.

32 (H) Notwithstanding subdivision (g), an eligible
33 customer-generator electing to aggregate the electrical load of
34 multiple meters pursuant to this subdivision shall remit service
35 charges for the cost of providing billing services to the electric
36 utility that provides service to the meters.

37 (5) (A) The ratemaking authority shall establish a net surplus
38 electricity compensation valuation to compensate the net surplus
39 customer-generator for the value of net surplus electricity generated
40 by the net surplus customer-generator. The commission shall

1 establish the valuation in a ratemaking proceeding. The ratemaking
2 authority for a local publicly owned electric utility shall establish
3 the valuation in a public proceeding. The net surplus electricity
4 compensation valuation shall be established so as to provide the
5 net surplus customer-generator just and reasonable compensation
6 for the value of net surplus electricity, while leaving other
7 ratepayers unaffected. The ratemaking authority shall determine
8 whether the compensation will include, where appropriate
9 justification exists, either or both of the following components:

10 (i) The value of the electricity itself.

11 (ii) The value of the renewable attributes of the electricity.

12 (B) In establishing the rate pursuant to subparagraph (A), the
13 ratemaking authority shall ensure that the rate does not result in a
14 shifting of costs between eligible customer-generators and other
15 bundled service customers.

16 (6) (A) Upon adoption of the net surplus electricity
17 compensation rate by the ratemaking authority, any renewable
18 energy credit, as defined in Section 399.12, for net surplus
19 electricity purchased by the electric utility shall belong to the
20 electric utility. Any renewable energy credit associated with
21 electricity generated by the eligible customer-generator that is
22 utilized by the eligible customer-generator shall remain the property
23 of the eligible customer-generator.

24 (B) Upon adoption of the net surplus electricity compensation
25 rate by the ratemaking authority, the net surplus electricity
26 purchased by the electric utility shall count toward the electric
27 utility's renewables portfolio standard annual procurement targets
28 for the purposes of paragraph (1) of subdivision (b) of Section
29 399.15, or for a local publicly owned electric utility, the renewables
30 portfolio standard annual procurement targets established pursuant
31 to Section 387.

32 (7) The electric utility shall provide every eligible residential
33 or small commercial customer-generator with net electricity
34 consumption and net surplus electricity generation information
35 with each regular bill. That information shall include the current
36 monetary balance owed the electric utility for net electricity
37 consumed, or the net surplus electricity generated, since the last
38 12-month period ended. Notwithstanding this subdivision, an
39 electric utility shall permit that customer to pay monthly for net
40 energy consumed.

1 (8) If an eligible residential or small commercial
2 customer-generator terminates the customer relationship with the
3 electric utility, the electric utility shall reconcile the eligible
4 customer-generator's consumption and production of electricity
5 during any part of a 12-month period following the last
6 reconciliation, according to the requirements set forth in this
7 subdivision, except that those requirements shall apply only to the
8 months since the most recent 12-month bill.

9 (9) If an electric service provider or electric utility providing
10 net energy metering to a residential or small commercial
11 customer-generator ceases providing that electric service to that
12 customer during any 12-month period, and the customer-generator
13 enters into a new net energy metering contract or tariff with a new
14 electric service provider or electric utility, the 12-month period,
15 with respect to that new electric service provider or electric utility,
16 shall commence on the date on which the new electric service
17 provider or electric utility first supplies electric service to the
18 customer-generator.

19 (i) Notwithstanding any other provisions of this section,
20 paragraphs (1), (2), and (3) shall apply to an eligible
21 customer-generator with a capacity of more than 10 kilowatts, but
22 not exceeding one megawatt, that receives electric service from a
23 local publicly owned electric utility that has elected to utilize a
24 co-energy metering program unless the local publicly owned
25 electric utility chooses to provide service for eligible
26 customer-generators with a capacity of more than 10 kilowatts in
27 accordance with subdivisions (g) and (h):

28 (1) The eligible customer-generator shall be required to utilize
29 a meter, or multiple meters, capable of separately measuring
30 electricity flow in both directions. All meters shall provide
31 time-of-use measurements of electricity flow, and the customer
32 shall take service on a time-of-use rate schedule. If the existing
33 meter of the eligible customer-generator is not a time-of-use meter
34 or is not capable of measuring total flow of electricity in both
35 directions, the eligible customer-generator shall be responsible for
36 all expenses involved in purchasing and installing a meter that is
37 both time-of-use and able to measure total electricity flow in both
38 directions. This subdivision shall not restrict the ability of an
39 eligible customer-generator to utilize any economic incentives

1 provided by a governmental agency or an electric utility to reduce
2 its costs for purchasing and installing a time-of-use meter.

3 (2) The consumption of electricity from the local publicly owned
4 electric utility shall result in a cost to the eligible
5 customer-generator to be priced in accordance with the standard
6 rate charged to the eligible customer-generator in accordance with
7 the rate structure to which the customer would be assigned if the
8 customer did not use a renewable electrical generation facility.
9 The generation of electricity provided to the local publicly owned
10 electric utility shall result in a credit to the eligible
11 customer-generator and shall be priced in accordance with the
12 generation component, established under the applicable structure
13 to which the customer would be assigned if the customer did not
14 use a renewable electrical generation facility.

15 (3) All costs and credits shall be shown on the eligible
16 customer-generator's bill for each billing period. In any months
17 in which the eligible customer-generator has been a net consumer
18 of electricity calculated on the basis of value determined pursuant
19 to paragraph (2), the customer-generator shall owe to the local
20 publicly owned electric utility the balance of electricity costs and
21 credits during that billing period. In any billing period in which
22 the eligible customer-generator has been a net producer of
23 electricity calculated on the basis of value determined pursuant to
24 paragraph (2), the local publicly owned electric utility shall owe
25 to the eligible customer-generator the balance of electricity costs
26 and credits during that billing period. Any net credit to the eligible
27 customer-generator of electricity costs may be carried forward to
28 subsequent billing periods, provided that a local publicly owned
29 electric utility may choose to carry the credit over as a kilowatthour
30 credit consistent with the provisions of any applicable contract or
31 tariff, including any differences attributable to the time of
32 generation of the electricity. At the end of each 12-month period,
33 the local publicly owned electric utility may reduce any net credit
34 due to the eligible customer-generator to zero.

35 (j) A renewable electrical generation facility used by an eligible
36 customer-generator shall meet all applicable safety and
37 performance standards established by the National Electrical Code,
38 the Institute of Electrical and Electronics Engineers, and accredited
39 testing laboratories, including Underwriters Laboratories
40 Incorporated and, where applicable, rules of the commission

1 regarding safety and reliability. A customer-generator whose
2 renewable electrical generation facility meets those standards and
3 rules shall not be required to install additional controls, perform
4 or pay for additional tests, or purchase additional liability
5 insurance.

6 (k) If the commission determines that there are cost or revenue
7 obligations for an electrical corporation that may not be recovered
8 from customer-generators acting pursuant to this section, those
9 obligations shall remain within the customer class from which any
10 shortfall occurred and shall not be shifted to any other customer
11 class. Net energy metering and co-energy metering customers shall
12 not be exempt from the public goods charges imposed pursuant to
13 Article 7 (commencing with Section 381), Article 8 (commencing
14 with Section 385), or Article 15 (commencing with Section 399)
15 of Chapter 2.3 of Part 1.

16 (l) A net energy metering, co-energy metering, or wind energy
17 co-metering customer shall reimburse the Department of Water
18 Resources for all charges that would otherwise be imposed on the
19 customer by the commission to recover bond-related costs pursuant
20 to an agreement between the commission and the Department of
21 Water Resources pursuant to Section 80110 of the Water Code,
22 as well as the costs of the department equal to the share of the
23 department's estimated net unavoidable power purchase contract
24 costs attributable to the customer. The commission shall
25 incorporate the determination into an existing proceeding before
26 the commission, and shall ensure that the charges are
27 nonbypassable. Until the commission has made a determination
28 regarding the nonbypassable charges, net energy metering,
29 co-energy metering, and wind energy co-metering shall continue
30 under the same rules, procedures, terms, and conditions as were
31 applicable on December 31, 2002.

32 (m) In implementing the requirements of subdivisions (k) and
33 (l), an eligible customer-generator shall not be required to replace
34 its existing meter except as set forth in paragraph (1) of subdivision
35 (c), nor shall the electric utility require additional measurement of
36 usage beyond that which is necessary for customers in the same
37 rate class as the eligible customer-generator.

38 (n) It is the intent of the Legislature that the Treasurer
39 incorporate net energy metering, including net surplus electricity
40 compensation, co-energy metering, and wind energy co-metering

1 projects undertaken pursuant to this section as sustainable building
2 methods or distributive energy technologies for purposes of
3 evaluating low-income housing projects.

4 ~~SEC. 9.~~

5 *SEC. 10.* Section 2827.1 of the Public Utilities Code is amended
6 and renumbered to read:

7 2827.3. (a) By October 1, 2013, the commission shall complete
8 a study to determine who benefits from, and who bears the
9 economic burden, if any, of, the net energy metering program
10 authorized pursuant to Section 2827, and to determine the extent
11 to which each class of ratepayers and each region of the state
12 receiving service under the net energy metering program is paying
13 the full cost of the services provided to them by electrical
14 corporations, and the extent to which those customers pay their
15 share of the costs of public purpose programs. In evaluating
16 program costs and benefits for purposes of the study, the
17 commission shall consider all electricity generated by renewable
18 electric generating systems, including the electricity used onsite
19 to reduce a customer's consumption of electricity that otherwise
20 would be supplied through the electrical grid, as well as the
21 electrical output that is being fed back to the electrical grid for
22 which the customer receives credit or net surplus electricity
23 compensation under net energy metering. The study shall quantify
24 the costs and benefits of net energy metering to participants and
25 nonparticipants and shall further disaggregate the results by utility,
26 customer class, and household income groups within the residential
27 class. The study shall further gather and present data on the income
28 distribution of residential net energy metering participants. In order
29 to assess the costs and benefits at various levels of net energy
30 metering implementation, the study shall be conducted using
31 multiple net energy metering penetration scenarios, including, at
32 a minimum, the capacity needed to reach the solar photovoltaic
33 goals of the California Solar Initiative pursuant to Section 25780
34 of the Public Resources Code, and the estimated net energy
35 metering capacity under the 5-percent minimum requirement of
36 paragraphs (1) and (4) of subdivision (c) of Section 2827.

37 (b) (1) The commission shall report the results of the study to
38 the Legislature within 30 days of its completion.

39 (2) The report shall be submitted in compliance with Section
40 9795 of the Government Code.

1 (3) Pursuant to Section 10231.5 of the Government Code, this
2 section is repealed on July 1, 2017.

3 ~~SEC. 10.~~ Section 2827.1 is added to the Public Utilities Code,
4 to read:

5 2827.1. ~~(a) For purposes of this section, “eligible~~
6 ~~customer-generator,” “large electrical corporation,” and “renewable~~
7 ~~electrical generation facility” have the same meanings as defined~~
8 ~~in Section 2827.~~

9 ~~(b) The commission shall develop a standard contract or tariff~~
10 ~~for eligible customer-generators with a renewable electrical~~
11 ~~generation facility that are customers of a large electrical~~
12 ~~corporation no later than July 1, 2015. The commission may~~
13 ~~develop the standard contract or tariff prior to July 1, 2015, and~~
14 ~~may require a large electrical corporation that has reached the~~
15 ~~capacity limitation of subparagraph (B) of paragraph (4) of~~
16 ~~subdivision (c) of Section 2827 to offer the standard contract or~~
17 ~~tariff to eligible customer-generators. A large electrical corporation~~
18 ~~shall offer the standard contract or tariff to an eligible~~
19 ~~customer-generator beginning January 1, 2017, or prior to that~~
20 ~~date if ordered to do so by the commission because it has reached~~
21 ~~the capacity limitation of subparagraph (B) of paragraph (4) of~~
22 ~~subdivision (c) of Section 2827. The commission may revise the~~
23 ~~standard contract or tariff as appropriate to achieve the objectives~~
24 ~~of this section. At a minimum, in developing the standard contract~~
25 ~~or tariff, the commission shall do all of the following:~~

26 ~~(1) Establish rates, terms of service, and billing rules for eligible~~
27 ~~customer-generators.~~

28 ~~(2) Ensure that the standard contract or tariff made available to~~
29 ~~eligible customer-generators is based on the electrical system costs~~
30 ~~and benefits received by nonparticipating customers of the~~
31 ~~electrical corporation for the renewable electrical generation facility~~
32 ~~located on the customers’ premises.~~

33 ~~(3) Preserve nonparticipant ratepayer indifference.~~

34 ~~(c) Beginning January 1, 2017, or when ordered to do so by the~~
35 ~~commission because the large electrical corporation has reached~~
36 ~~its capacity limitation of subparagraph (B) of paragraph (4) of~~
37 ~~subdivision (c) of Section 2827, all new eligible~~
38 ~~customer-generators shall be subject to the standard contract or~~
39 ~~tariff developed by the commission and any rules, terms, and rates~~
40 ~~developed pursuant to subdivision (b) of this section, and shall not~~

1 be eligible to receive net energy metering pursuant to Section 2827.
2 There shall be no limitation on the number of new eligible
3 customer-generators entitled to receive service pursuant to the
4 standard contract or tariff after January 1, 2017. An eligible
5 customer-generator that has received service under a net energy
6 metering standard contract or tariff pursuant to Section 2827 that
7 is no longer eligible to receive service by operation of paragraph
8 (5) of subdivision (c) of that section shall be eligible to receive
9 service pursuant to the standard contract or tariff developed by the
10 commission pursuant to this section.

11 *SEC. 11. Section 2827.1 is added to the Public Utilities Code,*
12 *to read:*

13 2827.1. (a) For purposes of this section, “eligible
14 customer-generator,” “large electrical corporation,” and
15 “renewable electrical generation facility” have the same meanings
16 as defined in Section 2827.

17 (b) The commission shall develop a standard contract or tariff,
18 including net energy metering, for eligible customer-generators
19 with a renewable electrical generation facility that is a customer
20 of a large electrical corporation no later than December 31, 2015.
21 The commission may develop the standard contract or tariff prior
22 to December 31, 2015, and may require a large electrical
23 corporation that has reached the net energy metering program
24 limit of subparagraph (B) of paragraph (4) of subdivision (c) of
25 Section 2827 to offer the standard contract or tariff to eligible
26 customer-generators. A large electrical corporation shall offer
27 the standard contract or tariff to an eligible customer-generator
28 beginning July 1, 2017, or prior to that date if ordered to do so
29 by the commission because it has reached the net energy metering
30 program limit of subparagraph (B) of paragraph (4) of subdivision
31 (c) of Section 2827. The commission may revise the standard
32 contract or tariff as appropriate to achieve the objectives of this
33 section. In developing the standard contract or tariff, the
34 commission shall do all of the following:

35 (1) Ensure that the standard contract or tariff made available
36 to eligible customer-generators ensures that customer-sited
37 renewable distributed generation continues to grow sustainably
38 and include specific alternatives designed for growth among
39 residential customers in disadvantaged communities.

1 (2) Establish terms of service and billing rules for eligible
2 customer-generators.

3 (3) Ensure that the standard contract or tariff made available
4 to eligible customer-generators is based on the costs and benefits
5 of the renewable electrical generation facility.

6 (4) Ensure that the total benefits of the standard contract or
7 tariff to all customers and the electrical system are approximately
8 equal to the total costs.

9 (5) Allow projects greater than one megawatt that do not have
10 significant impact on the distribution grid to be built to the size of
11 the onsite load if the projects with a capacity of more than one
12 megawatt are not exempted from reasonable interconnection
13 charges established pursuant to the commission's Electric Rule
14 21.

15 (6) Establish a transition period during which eligible
16 customer-generators taking service under a net energy metering
17 tariff or contract prior to July 1, 2017, or until the electrical
18 corporation reaches its net energy metering program limit pursuant
19 to subparagraph (B) of paragraph (4) of subdivision (c) of Section
20 2827, shall be eligible to continue service under the previously
21 applicable net energy metering tariff for a length of time to be
22 determined by the commission. Any rules adopted by the
23 commission shall consider a reasonable expected payback period
24 based on the year the customer initially took service under the
25 tariff or contract authorized by Section 2827.

26 (c) Beginning July 1, 2017, or when ordered to do so by the
27 commission because the large electrical corporation has reached
28 its capacity limitation of subparagraph (B) of paragraph (4) of
29 subdivision (c) of Section 2827, all new eligible
30 customer-generators shall be subject to the standard contract or
31 tariff developed by the commission and any rules, terms, and rates
32 developed pursuant to subdivision (b). There shall be no limitation
33 on the amount of generating capacity or number of new eligible
34 customer-generators entitled to receive service pursuant to the
35 standard contract or tariff after July 1, 2017. An eligible
36 customer-generator that has received service under a net energy
37 metering standard contract or tariff pursuant to Section 2827 that
38 is no longer eligible to receive service shall be eligible to receive
39 service pursuant to the standard contract or tariff developed by
40 the commission pursuant to this section.

1 *SEC. 12. Section 2827.10 of the Public Utilities Code is*
2 *amended to read:*

3 2827.10. (a) As used in this section, the following terms have
4 the following meanings:

5 (1) “Electrical corporation” means an electrical corporation, as
6 defined in Section 218.

7 (2) “Eligible fuel cell electrical generating facility” means a
8 facility that includes the following:

9 (A) Integrated powerplant systems containing a stack, tubular
10 array, or other functionally similar configuration used to
11 electrochemically convert fuel to electric energy.

12 (B) An inverter and fuel processing system where necessary.

13 (C) Other plant equipment, including heat recovery equipment,
14 necessary to support the plant’s operation or its energy conversion.

15 (3) (A) “Eligible fuel cell customer-generator” means a
16 customer of an electrical corporation that meets all the following
17 criteria:

18 (i) Uses a fuel cell electrical generating facility with a capacity
19 of not more than one megawatt that is located on or adjacent to
20 the customer’s owned, leased, or rented premises, is interconnected
21 and operates in parallel with the electrical grid while the grid is
22 operational or in a grid independent mode when the grid is
23 nonoperational, and is sized to offset part or all of the eligible fuel
24 cell customer-generator’s own electrical requirements.

25 (ii) Is the recipient of local, state, or federal funds, or who
26 self-finances projects designed to encourage the development of
27 eligible fuel cell electrical generating facilities.

28 (iii) Uses technology the commission has determined will
29 achieve reductions in emissions of greenhouse gases pursuant to
30 subdivision (b), and meets the emission requirements for eligibility
31 for funding set forth in subdivision (c), of Section 379.6.

32 (B) For purposes of this paragraph, a person or entity is a
33 customer of the electrical corporation if the customer is physically
34 located within the service territory of the electrical corporation
35 and receives bundled service, distribution service, or transmission
36 service from the electrical corporation.

37 (4) “Net energy metering” means measuring the difference
38 between the electricity supplied through the electrical grid and the
39 difference between the electricity generated by an eligible fuel cell
40 electrical generating facility and fed back to the electrical grid over

1 a 12-month period as described in subdivision (e). Net energy
2 metering shall be accomplished using a time-of-use meter capable
3 of registering the flow of electricity in two directions. If the existing
4 electrical meter of an eligible fuel cell customer-generator is not
5 capable of measuring the flow of electricity in two directions, the
6 eligible fuel cell customer-generator shall be responsible for all
7 expenses involved in purchasing and installing a meter that is able
8 to measure electricity flow in two directions. If an additional meter
9 or meters are installed, the net energy metering calculation shall
10 yield a result identical to that of a time-of-use meter.

11 (b) (1) Every electrical corporation, not later than March 1,
12 2004, shall file with the commission a standard tariff providing
13 for net energy metering for eligible fuel cell customer-generators,
14 consistent with this section. Subject to the limitation in subdivision
15 (f), every electrical corporation shall make this tariff available to
16 eligible fuel cell customer-generators upon request, on a
17 first-come-first-served basis, until the total cumulative rated
18 generating capacity of the eligible fuel cell electrical generating
19 facilities receiving service pursuant to the tariff reaches a level
20 equal to its proportionate share of a statewide limitation of 500
21 megawatts cumulative rated generation capacity served under this
22 section. The proportionate share shall be calculated based on the
23 ratio of the electrical corporation's peak demand compared to the
24 total statewide peak demand.

25 (2) To continue the growth of the market for onsite electric
26 generation using fuel cells, the commission may review and
27 incrementally raise the limitation established in paragraph (1) on
28 the total cumulative rated generating capacity of the eligible fuel
29 cell electrical generating facilities receiving service pursuant to
30 the tariff in paragraph (1).

31 (c) In determining the eligibility for the cumulative rated
32 generating capacity within an electrical corporation's service
33 territory, preference shall be given to facilities that, at the time of
34 installation, are located in a community with significant exposure
35 to air contaminants or localized air contaminants, or both,
36 including, but not limited to, communities of minority populations
37 or low-income populations, or both, based on the ambient air
38 quality standards established pursuant to Section 39607 of the
39 Health and Safety Code.

1 (d) (1) Each net energy metering contract or tariff shall be
2 identical, with respect to rate structure, all retail rate components,
3 and any monthly charges, to the contract or tariff to which the
4 customer would be assigned if the customer was not an eligible
5 fuel cell customer-generator. Any new or additional demand
6 charge, standby charge, customer charge, minimum monthly
7 charge, interconnection charge, or other charge that would increase
8 an eligible fuel cell customer-generator's costs beyond those of
9 other customers in the rate class to which the eligible fuel cell
10 customer-generator would otherwise be assigned are contrary to
11 the intent of the Legislature in enacting this section, and may not
12 form a part of net energy metering tariffs.

13 (2) The commission shall authorize an electrical corporation to
14 charge a fuel cell customer-generator a fee based on the cost to
15 the utility associated with providing interconnection inspection
16 services for that fuel cell customer-generator.

17 (e) The net metering calculation shall be made by measuring
18 the difference between the electricity supplied to the eligible fuel
19 cell customer-generator and the electricity generated by the eligible
20 fuel cell customer-generator and fed back to the electrical grid
21 over a 12-month period. The following rules shall apply to the
22 annualized metering calculation:

23 (1) The eligible fuel cell customer-generator shall, at the end
24 of each 12-month period following the date of final interconnection
25 of the eligible fuel cell electrical generating facility with an
26 electrical corporation, and at each anniversary date thereafter, be
27 billed for electricity used during that period. The electrical
28 corporation shall determine if the eligible fuel cell
29 customer-generator was a net consumer or a net producer of
30 electricity during that period. For purposes of determining if the
31 eligible fuel cell customer-generator was a net consumer or a net
32 producer of electricity during that period, the electrical corporation
33 shall aggregate the electrical load of the meters located on the
34 property where the eligible fuel cell electrical generation facility
35 is located and on all property adjacent or contiguous to the property
36 on which the facility is located, if those properties are solely
37 owned, leased, or rented by the eligible fuel cell
38 customer-generator. Each aggregated account shall be billed and
39 measured according to a time-of-use rate schedule.

1 (2) At the end of each 12-month period, where the electricity
2 supplied during the period by the electrical corporation exceeds
3 the electricity generated by the eligible fuel cell customer-generator
4 during that same period, the eligible fuel cell customer-generator
5 is a net electricity consumer and the electrical corporation shall
6 be owed compensation for the eligible fuel cell
7 customer-generator's net kilowatthour consumption over that same
8 period. The compensation owed for the eligible fuel cell
9 customer-generator's consumption shall be calculated as follows:

10 (A) The generation charges for any net monthly consumption
11 of electricity shall be calculated according to the terms of the tariff
12 to which the same customer would be assigned to or be eligible
13 for if the customer was not an eligible fuel cell customer-generator.
14 When the eligible fuel cell customer-generator is a net generator
15 during any discrete time-of-use period, the net kilowatthours
16 produced shall be valued at the same price per kilowatthour as the
17 electrical corporation would charge for retail kilowatthour sales
18 for generation, exclusive of any surcharges, during that same
19 time-of-use period. If the eligible fuel cell customer-generator's
20 time-of-use electrical meter is unable to measure the flow of
21 electricity in two directions, paragraph (4) of subdivision (a) shall
22 apply. All other charges, other than generation charges, shall be
23 calculated in accordance with the eligible fuel cell
24 customer-generator's applicable tariff and based on the total
25 kilowatthours delivered by the electrical corporation to the eligible
26 fuel cell customer-generator. To the extent that charges for
27 transmission and distribution services are recovered through
28 demand charges in any particular month, no standby reservation
29 charges shall apply in that monthly billing cycle.

30 (B) The net balance of moneys owed shall be paid in accordance
31 with the electrical corporation's normal billing cycle.

32 (3) At the end of each 12-month period, where the electricity
33 generated by the eligible fuel cell customer-generator during the
34 12-month period exceeds the electricity supplied by the electrical
35 corporation during that same period, the eligible fuel cell
36 customer-generator is a net electricity producer and the electrical
37 corporation shall retain any excess kilowatthours generated during
38 the prior 12-month period. The eligible fuel cell customer-generator
39 shall not be owed any compensation for those excess kilowatthours.

1 (4) If an eligible fuel cell customer-generator terminates service
2 with the electrical corporation, the electrical corporation shall
3 reconcile the eligible fuel cell customer-generator’s consumption
4 and production of electricity during any 12-month period.

5 ~~(f) No fuel cell electrical generating facility shall be eligible for~~
6 ~~the tariff unless it commences operation prior to January 1, 2015,~~
7 ~~unless a later enacted statute, that is chaptered before January 1,~~
8 ~~2015, extends this eligibility commencement date. The tariff shall~~
9 ~~remain in effect for an eligible fuel cell electrical generating facility~~
10 ~~that commences operation pursuant to the tariff prior to January~~
11 ~~1, 2015. A fuel cell customer-generator shall be eligible for the~~
12 ~~tariff established pursuant to this section only for the operating~~
13 ~~life of the eligible fuel cell electrical generating facility~~

14 *(f) A customer with a fuel cell that has local air quality benefits*
15 *shall be eligible for the tariff for a period of time to be determined*
16 *by the commission.*

17 ~~SEC. 11.~~

18 *SEC. 13.* No reimbursement is required by this act pursuant
19 to Section 6 of Article XIII B of the California Constitution because
20 the only costs that may be incurred by a local agency or school
21 district will be incurred because this act creates a new crime or
22 infraction, eliminates a crime or infraction, or changes the penalty
23 for a crime or infraction, within the meaning of Section 17556 of
24 the Government Code, or changes the definition of a crime within
25 the meaning of Section 6 of Article XIII B of the California
26 Constitution.

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29 **CORRECTIONS:**

30 **Digest—Pages 1, 2, 3, 4, 5, and 6.**

31 **Text—Page 55.**

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