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AB-942 Net energy metering: eligible customer-generators: tariffs. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 942
Introduced by Assembly Member Calderon
February 19, 2025

An act to add Section 2827.2 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 942, as amended, Calderon. Net energy metering: eligible customer-generators: tariffs.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including electrical corporations, while local publicly owned electric utilities are generally under the direction of their governing boards. Existing law requires each electrical utility, including each electrical corporation, local publicly owned electric utility, electrical cooperative, or other entity that offers electrical service, except as specified, to develop a standard contract or tariff that provides for net energy metering (NEM), which, among other things, compensates each eligible customer-generator, as defined, for the electricity it generated during a preceding 12-month period that exceeds the electricity supplied by the electrical utility through the electrical grid to the eligible customer-generator during that same period, as provided. Existing law requires each electrical utility to make the contract or tariff available to eligible customer-generators, upon request, on a first-come-first-served basis until the time that the total rated generating capacity used by those eligible customer-generators exceeds 5% of the electrical utility's aggregate customer peak demand, except as specified. This contract or tariff is commonly known as NEM 1.0.

Existing law requires the commission to develop an additional standard contract or tariff, which may include NEM, for eligible customer-generators that are customers of large electrical corporations, as defined. Existing law requires each large electrical corporation to offer this standard contract or tariff to its eligible customer-generators beginning July 1, 2017, or before that date if ordered to do so by the commission because it has reached the above-mentioned 5% NEM 1.0 program limit, and prohibits limiting the amount of generating

capacity or the number of new eligible customer-generators entitled to receive service pursuant to this standard contract or tariff, as specified. This contract or tariff is commonly known as NEM 2.0. Existing law authorizes the commission to revise the standard contract or tariff as appropriate to achieve specified objectives.

Pursuant to its authority, the commission adopted Decision 22-12-056 (December 19, 2022), commonly known as the net billing tariff, that creates a successor tariff to the NEM 1.0 and 2.0 tariffs and includes specified elements, including, among other things, retail export compensation rates based on hourly avoided cost calculator values averaged across days in a month, as specified, and an avoided cost calculator plus adder, based on cents per kilowatt-hour exported, available during the first 5 years of the successor tariff, as specified, known as the avoided cost calculator plus glide path.

This bill would, on and after January 1, 2026, for a *large electrical corporation* customer that becomes a new eligible customer-generator by purchasing real property that contains a renewable electrical generation facility upon which a prior eligible customer-generator took service, require the new eligible customer-generator to take service under the then-current applicable tariff adopted by the commission after December 1, 2022, ~~would~~ disqualify the new eligible customer-generator from eligibility for the avoided cost calculator plus glide path, as specified, and ~~would~~ require the new eligible customer-generator to pay all nonbypassable charges that are applicable to customers that are not eligible customer-generators.

This bill would authorize the commission to adopt a new tariff for a new eligible customer-generator that purchased real property that contains a renewable electrical generation facility, and to require those eligible customer-generators to use that new tariff if it results in a lower cost impact on customers who are not eligible customer-generators than the prior tariff that was applicable to those eligible customer-generators, as provided.

Existing law, the California Global Warming Solutions Act of 2006, designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases and requires the state board to ensure that statewide greenhouse gas emissions are reduced to at least 40% below the 1990 level by 2030. The act, until January 1, 2031, authorizes the state board to adopt a regulation establishing a market-based compliance mechanism that meets certain requirements. Pursuant to this authority, the state board adopted the Cap-and-Trade Program that, among other things, makes certain electrical distribution utilities eligible for direct allocation of greenhouse gas allowances, as specified.

Existing law requires the commission to require revenues, including any accrued interest, received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electric utilities pursuant to the program, as provided, to be credited directly to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation.

This bill would, beginning January 1, 2026, disqualify eligible customer-generators from receiving this credit.

The bill would exempt from its provisions new eligible customer-generators that are public schools or agricultural customers.

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

Because a violation of a commission action implementing this bill's requirements would be a crime, the bill would impose a state-mandated local program.

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 Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Senate Bill 100 of the 2017–18 Regular Session (Chapter 312 of the Statutes of 2018) established the state policy that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers by 2045. Senate Bill 1020 of the 2021–22 Regular Session (Chapter 361 of the Statutes of 2022) established the same 100 percent renewable energy procurement standard for electricity serving all state agencies by 2035.

(b) Senate Bill 1078 of the 2001–02 Regular Session (Chapter 516 of the Statutes of 2002) established the California Renewables Portfolio Standard Program, which has been subsequently amended to require all load-serving entities to procure 60 percent of their electricity portfolios from eligible renewable energy resources by 2030.

(c) Rooftop solar has been integral towards meeting the state’s clean energy goals, with over 2,000,000 solar installations in California as of 2024.

(d) Subsidies for residential rooftop solar have been provided to spur installation since the enactment of Senate Bill 656 of the 1995–96 Regular Session (Chapter 369 of the Statutes of 1995). These subsidies offer solar customers credits on their electricity bills for the self-generated electricity they send back to the electrical grid.

(e) The current rates of these subsidies create a significant shortfall for covering the fixed costs of the electrical grid, and nonsolar ratepayers make up the difference, often referred to as a cost shift.

(f) According to the Public Advocate’s Office of the Public Utilities Commission, this cost shift on nonrooftop solar customers of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company has grown from \$3.4 billion annually in 2021 to \$8.5 billion annually by the end of 2024. These trends suggest that the cost shift will continue to grow.

(g) For the average nonsolar ratepayer, this cost shift accounts for 21 to 27 percent, inclusive, of their electricity bill.

(h) In 2023, the average annual household income of residential rooftop solar customers was an estimated \$115,000.

(i) Conversely, in 2021, low-income customers that were enrolled in the California Alternate Rates for Energy program represented 28 percent of total residential customers, but only 13.1 percent of these customers benefited from rooftop solar subsidy programs.

(j) As the overall cost of living increases in the state, the Legislature must mitigate cost shift inequities and reduce utility bills by evaluating programs funded by utility ratepayers.

SEC. 2. Section 2827.2 is added to the Public Utilities Code, to read:

2827.2. (a) On and after January 1, 2026, all of the following shall apply to a customer *of a large electrical corporation* that becomes a new eligible customer-generator by purchasing real property that contains a renewable electrical generation facility upon which a prior eligible customer-generator took service:

(1) The new eligible customer-generator shall take service under the then-current applicable tariff adopted by the commission pursuant to Section 2827.1 after December 1, 2022.

(2) The new eligible customer-generator shall not be eligible for the avoided cost calculator plus glide path provided in commission Decision 22-12-056 (December 19, 2022), Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044, and to Address Other Issues Related to Net Energy Metering.

(3) The new eligible customer-generator shall pay all nonbypassable charges applicable to customers who are not eligible customer-generators.

(b) The commission may adopt a new tariff for new eligible customer-generators described in subdivision (a), and may require those eligible customer-generators to use that new tariff if it results in a lower cost impact on customers who are not eligible customer-generators than the prior tariff that was applicable to those eligible customer-generators.

(c) On and after January 1, 2026, eligible customer-generators shall not receive the customer credit provided in Section 748.5.

(d) This section does not apply to new eligible customer-generators that are public schools or agricultural customers.

~~(d)~~

(e) For purposes of this section, ~~both~~ *all* of the following definitions apply:

(1) “Eligible customer-generator” has the same meaning as defined in Section 2827.

(2) "Large electrical corporation" has the same meaning as defined in Section 2827.

(3) "Public school" means a school operated by a school district as described in Section 41302.5 of the Education Code, a charter school that has been granted a charter pursuant to the Charter Schools Act of 1992 (Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code), or a public higher education entity as described in Section 66010 of the Education Code.

~~(2)~~

(4) "Renewable electrical generation facility" has the same meaning as in Section 2827.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.