

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 27, 2009

To: The Commission
(Meeting of May 7, 2009)

From: Pamela Loomis, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 560 (Skinner) - Net energy metering.
As Amended April 16, 2009**

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT

SUMMARY OF BILL:

AB 560 proposes a 10% cap on Net Energy Metering (NEM). Currently, NEM penetration is capped at 2.5 percent of aggregate peak customer demand in each utility service territory.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This bill would raise the cap for NEM. Raising the cap now will allow the CSI Program to move forward without delay and meet its goal of 1,940 MW installed.

SUMMARY OF SUGGESTED AMENDMENTS:

None.

DIVISION ANALYSIS (Energy Division):

By raising the NEM cap, the bill would enable the CPUC to meet its CSI program goals without disruption.

Participants in the California Solar Initiative (CSI) benefit greatly from the NEM program, which allows them to directly offset their on-site energy usage with their solar photovoltaic (PV) system's energy production. Loss of this benefit would be a substantial barrier to continued solar growth.

- In order to reach the ambitious CSI goal by 2017, it is estimated that NEM penetration in investor owned utility territories will need to increase to

approximately 5 percent.

- Under solar NEM, the NEM customer receives a generation credit at the "full retail rate", which includes the presumed avoided cost of generation as well as transmission and distribution (T&D) of that avoided generation. However it may not always be the case that self generation avoids T&D investment on behalf of a solar customer. If so, the solar customer still could cause some T&D investment to occur, but that customer may not pay for it. This would amount to a cross-subsidization from one set of ratepayers to another set of ratepayers, but the exact amount of the subsidy can only be calculated on a per customer basis depending on the project, tariff, and onsite load characteristics of each project.

Net Energy Metering is an important benefit to participants in the California Solar Initiative. California ratepayers that choose to "Go Solar" through the CSI Program receive two important financial incentives.

- The first is the CSI incentive, paid either as an upfront lump-sum payment or over five years based on actual solar system performance. The value of the CSI incentive is easily quantifiable.
- The second financial incentive is drawn from ongoing participation in the NEM program, which allows a participant's meter to spin forwards or backwards depending on how much energy their solar system is producing and how much energy they are using on-site. For example, NEM customers can use "credits" generated by their solar system during the day—in excess of their usage at that time—to offset their energy usage in the evening, at full retail rate. NEM customers can offset all of their yearly electricity usage—essentially zeroing out the usage portion of their energy bill—over the course of a year. At the end of the year, the program resets after a "true up", excess NEM credits are zeroed, and a new cycle begins. For participants in the CSI Program, NEM provides the monthly payments that make financial analysis of solar projects (including Net Present Value, Internal Rate of Return and Payback Period) attractive for prospective solar customers. The value of the financial incentive provided by NEM participation is easy to quantify on an individual (per system) basis, but not on an aggregate basis.

PROGRAM BACKGROUND:

The NEM cap established in statute states that the utilities must offer NEM up until the cap, however the utilities may choose to interconnect NEM customers after the cap is reached. In 2005, the 0.5 percent NEM cap was reached in SDG&E service territory, and SDG&E chose to continue interconnecting NEM customers beyond the statutory cap until additional NEM penetration was allowed in SDG&E territory via statutory change. Although the same opportunity exists today, the "must offer NEM up until the cap is reached" provision of the current NEM statute is important because it compels the utilities to interconnect NEM customers up to a particular limit, which they may not choose to do on their own.

The Investor-Owned Utilities report different NEM penetration rates, and there is risk of a stall in the solar market in northern California if the cap is not adjusted.

As shown in the table below, there is approximately 426 MW of solar installed in IOU territories, but we expect and there to be an additional ~1,800 MW installed under the CSI program. (The total goal of the CSI is 1,940 MW, and some installed MW pre-date CSI.) Given that the IOUs have experienced varying levels of solar uptake and NEM penetration to date, there is a risk that one territory may reach the NEM penetration cap well before the others, resulting in a stalled solar market in that region if that utility does not choose to voluntarily continue interconnecting NEM customers beyond the statutory cap.

The current weighted average NEM penetration is just about 1%, but will be 4.5% if the CSI program achieves its goal. The current NEM cap of 2.5% needs to be changed in order for the California Solar Initiative to meet its goals of 1,940 MW. PG&E is closest to its cap, at 1.3%, and in order to prevent a stall in the solar market particularly in PG&E's territory, the NEM penetration cap in statute must be changed this year.

- The Investor-Owned Utilities reported their respective NEM penetration rates to the Commission as of December 31, 2008, based on the number of NEM interconnections they had done through the end of the year. Based on these reports, Table 1 compares the number of MWs currently on NEM, the number of MWs that could be on NEM within the existing cap, and how many MWs are expected to be interconnected on NEM if the CSI program continues as planned.
- As of December 31st, there was approximately 426 MW of solar installed in IOU territories, and we estimated that another ~859 MW would fit in under the NEM cap. However, the CSI program expects about another 1,808 MW to be installed through the life of the program. PG&E's territory has received the highest rate of NEM penetration, and PG&E will likely reach its cap first, as early as late 2009, since it only has ~260 MW left under its NEM cap.

Table 1: Current and Future NEM penetration

Utility	PG&E	SCE	SDG&E	Total
Current MW NEM-Solar customers	264 MW	114 MW	48 MW	426 MW
Estimated remaining MW available under 2.5% NEM Cap	~260 MW	~444 MW	~155 MW	~859 MW
MW remaining in CSI Program (not yet installed)	779 MW	840 MW	190 MW	1,808 MW
Current NEM Customer capacity % (NEM as a percentage of aggregate peak customer demand)	1.3 %	0.5 %	0.6 %	1 % avg.
Estimated NEM penetration required to achieve CSI goals (Not including non-Solar NEM)	5.0 %	4.3 %	2.9 %	4.5 % avg.

Source: Columns 2 and 5 from CPUC data request; data as of 12/31/08. Columns 3, 5, and 6 from CPUC staff analysis.

As of December 31, 2008, PG&E was at 1.3% NEM penetration, and 2.5% is the statutory limit to PG&E's requirement to interconnect additional NEM customers. At current application levels, PG&E will be approaching its NEM cap level by the end of this calendar year.

- As shown in both Table 1 above and Table 2 below, at the end of last year, PG&E had approximately 260 MW left under its cap.
- In the first 3 months of 2009, PG&E installed an additional 41 MW. PG&E has 104 MW of pending CSI applications, not yet installed.
- Therefore, PG&E only has room for an additional 115 MW of new CSI projects, before it reaches its NEM cap. It is difficult to estimate how long it might take to reach 115 new applicants since demand varies by month; PG&E had 30 MW of new applications in February and 6 MW of new applications in March.
- If February's rate was sustained – PG&E would reach its cap in 4 months.
- If March's rate was sustained – PG&E would reach its cap in 19 months.

Unless PG&E voluntarily agrees to continue interconnecting NEM customers beyond the 2.5 percent penetration cap¹, we expect PG&E's CSI program to stall sometime in 2009 (depending on the application rate) since customers will be uncertain of whether their new project will "fit in" under the NEM cap.

Table 2. Net Energy Metering (NEM) participation to date, by utility service territory

	PG&E	SCE	CCSE/SDG&E
Total NEM Customer-Generators	27,225 customers	9,088 customers	5,933 customers
Total NEM SOLAR Customer-Generators	27,156 customers	8,894 customers	5,907 customers
Total rated generating capacity of all NEM customer-generators (MW)	265 MW	123 MW	49 MW
Total rated generating capacity of all NEM SOLAR customer-generators (MW)	264 MW	114 MW	48 MW
Percentage of "aggregate customer peak demand" accounted for by all NEM customers	1.27%	0.51%	0.59%

Source: CPUC Data Request to the Program Administrators, dated December 16, 2008. Data current as of December 31, 2008.

¹ Utilities are required to offer NEM "until the time" that they reach the cap, but the utilities "may" be able to continue to offer it voluntarily, if they choose to do so. Public Utilities Code 2827 (c)(1) states: Every electricity distribution utility or cooperative shall develop a standard contract or tariff providing for net energy metering, and shall make this standard 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 eligible customer-generators exceeds 2.5 percent of the electricity distribution utility or cooperative's aggregate customer peak demand.

The NEM cap was intended to be both a statutory check-in on the impact of NEM on other customers and a legal requirement for utilities to interconnect NEM customers at least until a certain penetration level is reached. However, it should not be used as an artificial *barrier* to solar deployment when a report is in progress to assess the cost and benefits of NEM, and we have not actually experienced any significant grid impacts due to current NEM penetration levels.

- In 2002, the NEM penetration rate was originally statutorily capped at 0.5 percent, and was then raised to 2.5 percent in 2006, and a statutory request for a cost-benefit study was requested by the legislature, due January 1, 2010. The legislature wanted an opportunity to understand how costs caused by NEM customers were paid for by non-participating customers.
- Although the study will not be available in this legislative session, it would be beneficial to the solar market for the legislature to remove or raise the cap now (broadly or initially for PG&E alone), and then to potentially take further action once it receives the CPUC report on the costs and benefits of NEM.
- The statute uses a cap to "force" the issue of revisiting NEM, but the legislature expected to be able to revisit the issue with information produced in a forthcoming report, and can still revisit the issue once the report is issued. There is no need to maintain an artificial statutory barrier to solar deployment in order to monitor the situation at this time.

Under the Commission's broad ratemaking authority, the Commission can address any concerns about the cross-subsidies that may be occurring between NEM and non-NEM customers.

- The CPUC is able to collect information about the cross-subsidies that occur between NEM and non-NEM customers.
- At some point in the future, the CPUC could develop a mechanism to address any concerns, such as the Commission requiring NEM customers to pay non-bypassable demand charges when changing from traditional metering arrangements to NEM. This would act to contain costs to non-NEM ratepayers associated with high NEM penetration rates.
- The legislature can change PU Code 2827 at any time in light of new information that might arise from the upcoming report or from a future report, and it does not need a NEM "cap" in place to do so.

The CPUC has engaged a contractor to conduct a Cost Benefit analysis of Net Energy Metering, in compliance with PU Code 2827 (c)(4), and it is due to the legislature on January 1, 2010. The Energy Division has retained a consultant to perform the required study, but the study is not expected to be completed until late 2009.

Net Energy Metering is available to other technologies, including wind and fuel cells. However this analysis focuses on the solar NEM interconnections because they (a) represent the largest number of interconnections and (b) most likely to cause the NEM cap to be reached.

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LEGISLATIVE HISTORY:

There have been numerous changes to the NEM statute over the years.

- AB 58 (2002, Keeley): Established NEM cap of 0.5 percent.
- SB 816 (2005, Kehoe): Raised NEM capacity available to customers in SDG&E territory to 50 MW.
- SB 1 (2006, Murray): Increased NEM cap from 0.5 percent to its current level of 2.5 percent; requires a report to the legislature on the costs and benefits of NEM by January 1, 2010.

STATUS:

This bill is scheduled to be heard in Assembly Committee on Appropriations April 29, 2009.

SUPPORT/OPPOSITION:

Support:

- AEE Solar, Inc.
- Applied Materials
- Brightline Defense Project
- California Building Industry Association (CBIA)
- California Retailers Association (CRA)
- California Solar Energy Industry Association (CALSEIA)
- Coalition for Clean Air
- Conergy
- Environment California
- Evergreen Solar, Inc.
- Global Green USA
- Mainstream Energy Corporation
- Pacific Gas and Electric (PG&E) (if amended)
- Pacific Environment
- Planning and Conservation League
- REC Solar, Inc.
- Sierra Club California
- Solar Alliance
- SolarCity
- SPG Solar, Inc.
- Union of Concerned Scientists

Opposition: Coalition of California Utility Workers (CUE) (unless amended)
 State Association of Electrical Workers (unless amended)
 The Utility Reform Network (TURN) (unless Amended)

STAFF CONTACTS:

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Date: April 27, 2009

BILL LANGUAGE:

BILL NUMBER: AB 560 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 16, 2009

INTRODUCED BY Assembly Member Skinner

FEBRUARY 25, 2009

An act to amend Section 2827 of the Public Utilities Code,
relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 560, as amended, Skinner. Net energy metering.

Existing law relative to private energy producers requires every electric distribution utility or cooperative, as defined, to make available to an eligible customer-generator, as defined, a standard contract or tariff 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 2.5% of the electric distribution utility or cooperative's aggregate customer peak demand.

This bill would require that the standard contract or tariff for net energy metering be offered on a first-come-first-served basis until the time that the total rated generating capacity used by eligible customer-generators exceeds ~~an unspecified percent~~ 10% of the electric distribution utility or cooperative's aggregate customer peak demand.

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

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

SECTION 1. Section 2827 of the Public Utilities Code is amended to read:

2827. (a) The Legislature finds and declares that a program to provide net energy metering, co-energy metering, and wind energy co-metering for eligible customer-generators is one way to encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California's energy supply infrastructure, enhance the continued diversification of California's energy resource mix, and reduce interconnection and administrative costs for electricity suppliers.

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

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

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

(3) "Electric distribution utility or cooperative" means an

electrical corporation, a local publicly owned electric utility, or an electrical cooperative, or any other entity, except an electric service provider, that offers electrical service. This section shall not apply to a local publicly owned electric utility that serves more than 750,000 customers and that also conveys water to its customers.

(4) "Eligible customer-generator" means a residential, small commercial customer as defined in subdivision (h) of Section 331, commercial, industrial, or agricultural customer of an electricity distribution utility or cooperative, who uses a solar or a wind turbine electrical generating facility, or a hybrid system of both, with a capacity of not more than one megawatt that is located on the customer's owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer's own electrical requirements.

(5) "Net energy metering" means measuring the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a 12-month period as described in subdivision (h). An eligible customer-generator who already owns an existing solar or wind turbine electrical generating facility, or a hybrid system of both, is eligible to receive net energy metering service in accordance with this section.

(6) "Ratemaking authority" means, for an electrical corporation, electrical cooperative, or electric service provider, the commission, and for a local publicly owned electric utility, the local elected body responsible for setting the rates of the local publicly owned utility.

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

(c) (1) Every electricity distribution utility or cooperative shall develop a standard contract or tariff providing for net energy metering, and shall make this standard 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 eligible customer-generators exceeds 10 percent of the electricity distribution utility or cooperative's aggregate customer peak demand. Net energy metering shall be accomplished using a single meter capable of registering the flow of electricity in two directions. An additional meter or meters to monitor the flow of electricity in each direction may be installed with the consent of the customer-generator, at the expense of the electricity distribution utility or cooperative, and the additional metering shall be used only to provide the information necessary to accurately bill or credit the customer-generator pursuant to subdivision (h), or to collect solar or wind electric generating system performance information for research purposes. If the existing electrical meter of an eligible customer-generator is not capable of measuring the flow of electricity in two directions, the customer-generator shall be responsible for all expenses involved in purchasing and installing a meter that is able to measure electricity flow in two directions. If an additional meter or meters are installed, the net energy metering calculation shall yield a result identical to that of a single meter.

(2) (A) On an annual basis, beginning in 2003, every electricity distribution utility or cooperative shall make available to the ratemaking authority information on the total rated generating capacity used by eligible customer-generators that are customers of that provider in the provider's service area.

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

(C) The ratemaking authority shall develop a process for making the information required by this paragraph available to electricity distribution utilities and cooperatives, and for using that information to determine when, pursuant to paragraphs (1) and (3), an electricity distribution utility or cooperative is not obligated to provide net energy metering to additional customer-generators in its service area.

(3) An electricity distribution utility or cooperative is not obligated to provide net energy metering to additional customer-generators in its service area when the combined total peak demand of all customer-generators served by all the electricity distribution utilities or cooperatives in that service area furnishing net energy metering to eligible customer-generators exceeds 10 percent of the aggregate customer peak demand of those electricity distribution utilities or cooperatives.

(4) By January 1, 2010, the commission, in consultation with the Energy Commission, shall submit a report to the Governor and the Legislature on the costs and benefits of net energy metering, wind energy co-metering, and co-energy metering to participating customers and nonparticipating customers and with options to replace the economic costs and benefits of net energy metering, wind energy co-metering, and co-energy metering with a mechanism that more equitably balances the interests of participating and nonparticipating customers, and that incorporates the findings of the report on economic and environmental costs and benefits of net metering required by subdivision (n).

(d) Every electricity distribution utility or cooperative shall make all necessary forms and contracts for net energy metering service available for download from the Internet.

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

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

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

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

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

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

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

(1) The eligible residential or small commercial customer-generator shall, at the end of each 12-month period following the date of final interconnection of the eligible customer-generator's system with an electricity distribution utility or cooperative, and at each anniversary date thereafter, be billed for electricity used during that 12-month period. The electricity distribution utility or cooperative shall determine if the eligible residential or small commercial customer-generator was a net consumer or a net producer of electricity during that period.

(2) At the end of each 12-month period, where the electricity supplied during the period by the electricity distribution utility or cooperative exceeds the electricity generated by the eligible residential or small commercial customer-generator during that same period, the eligible residential or small commercial customer-generator is a net electricity consumer and the electricity

distribution utility or cooperative shall be owed compensation for the eligible customer-generator's net kilowatthour consumption over that 12-month period. The compensation owed for the eligible residential or small commercial customer-generator's consumption shall be calculated as follows:

(A) For all eligible customer-generators taking service under contracts or tariffs employing "baseline" and "over baseline" rates or charges, any net monthly consumption of electricity shall be calculated according to the terms of the contract or tariff to which the same customer would be assigned to, or be eligible for, if the customer was not an eligible customer-generator. If those same customer-generators are net generators over a billing period, the net kilowatthours generated shall be valued at the same price per kilowatthour as the electricity distribution utility or cooperative would charge for the baseline quantity of electricity during that billing period, and if the number of kilowatthours generated exceeds the baseline quantity, the excess shall be valued at the same price per kilowatthour as the electricity distribution utility or cooperative would charge for electricity over the baseline quantity during that billing period.

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

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

(3) At the end of each 12-month period, where the electricity generated by the eligible customer-generator during the 12-month period exceeds the electricity supplied by the electricity distribution utility or cooperative during that same period, the eligible customer-generator is a net electricity producer and the electricity distribution utility or cooperative shall retain any excess kilowatthours generated during the prior 12-month period. The eligible customer-generator shall not be owed any compensation for those excess kilowatthours unless the electricity distribution utility or cooperative enters into a purchase agreement with the

eligible customer-generator for those excess kilowatthours.

(4) The electricity distribution utility or cooperative shall provide every eligible residential or small commercial customer-generator with net electricity consumption information with each regular bill. That information shall include the current monetary balance owed the electricity distribution utility or cooperative for net electricity consumed, or the current amount of excess electricity produced, since the last 12-month period ended. Notwithstanding this subdivision, an electricity distribution utility or cooperative shall permit that customer to pay monthly for net energy consumed.

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

(6) If an electric service provider or electricity distribution utility or cooperative providing net energy metering to a residential or small commercial customer-generator ceases providing that electric service to that customer during any 12-month period, and the customer-generator enters into a new net energy metering contract or tariff with a new electric service provider or electricity distribution utility or cooperative, the 12-month period, with respect to that new electric service provider or electricity distribution utility or cooperative, shall commence on the date on which the new electric service provider or electricity distribution utility or cooperative first supplies electric service to the customer-generator.

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

(1) The eligible customer-generator shall be required to utilize a meter, or multiple meters, capable of separately measuring electricity flow in both directions. All meters shall provide "time-of-use" measurements of electricity flow, and the customer shall take service on a time-of-use rate schedule. If the existing meter of the eligible customer-generator is not a time-of-use meter or is not capable of measuring total flow of energy in both directions, the eligible customer-generator shall be responsible for all expenses involved in purchasing and installing a meter that is both time-of-use and able to measure total electricity flow in both directions. This subdivision shall not restrict the ability of an eligible customer-generator to utilize any economic incentives provided by a government agency or an electricity distribution utility or cooperative to reduce its costs for purchasing and installing a time-of-use meter.

(2) The consumption of electricity from the local publicly owned electric utility shall result in a cost to the eligible customer-generator to be priced in accordance with the standard rate charged to the eligible customer-generator in accordance with the rate structure to which the customer would be assigned if the customer did not use an eligible solar or wind electrical generating

facility. The generation of electricity provided to the local publicly owned electric utility shall result in a credit to the eligible customer-generator and shall be priced in accordance with the generation component, established under the applicable structure to which the customer would be assigned if the customer did not use an eligible solar or wind electrical generating facility.

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

(j) A solar or wind turbine electrical generating system, or a hybrid system of both, used by an eligible customer-generator shall meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories, including Underwriters Laboratories and, where applicable, rules of the commission regarding safety and reliability. A customer-generator whose solar or wind turbine electrical generating system, or a hybrid system of both, meets those standards and rules shall not be required to install additional controls, perform or pay for additional tests, or purchase additional liability insurance.

(k) If the commission determines that there are cost or revenue obligations for an electric corporation, as defined in Section 218, that may not be recovered from customer-generators acting pursuant to this section, those obligations shall remain within the customer class from which any shortfall occurred and may not be shifted to any other customer class. Net energy metering and co-energy metering customers shall not be exempt from the public goods charges imposed pursuant to Article 7 (commencing with Section 381), Article 8 (commencing with Section 385), or Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1. In its report to the Legislature, the commission shall examine different methods to ensure that the public goods charges remain nonbypassable.

() A net energy metering, co-energy metering, or wind energy co-metering customer shall reimburse the Department of Water Resources for all charges that would otherwise be imposed on the customer by the commission to recover bond-related costs pursuant to an agreement between the commission and the Department of Water Resources pursuant to Section 80110 of the Water Code, as well as the costs of the department equal to the share of the department's estimated net unavoidable power purchase contract costs attributable to the customer. The commission shall incorporate the determination into an existing proceeding before the commission, and shall ensure that the charges are nonbypassable. Until the commission has made a determination regarding the nonbypassable charges, net energy

metering, co-energy metering, and wind energy co-metering shall continue under the same rules, procedures, terms, and conditions as were applicable on December 31, 2002.

(m) In implementing the requirements of subdivisions (k) and (), a customer-generator shall not be required to replace its existing meter except as set forth in paragraph (1) of subdivision (c), nor shall the electricity distribution utility or cooperative require additional measurement of usage beyond that which is necessary for customers in the same rate class as the eligible customer-generator.

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