Date of Hearing: June 28, 2023

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Eduardo Garcia, Chair
SB 355 (Eggman) – As Amended May 18, 2023

SENATE VOTE: 32-7

SUBJECT: Multifamily Affordable Housing Solar Roofs Program

SUMMARY: This bill would make changes to the Solar on Multifamily Affordable Housing (SOMAH) Program, including expanding program eligibility.

1) Expands the requirements of the SOMAH Program to include:

    a) Properties in which at least 66 % of the households have incomes at or below 80 % of the area median income.
    b) Properties located in California Indian country.
    c) Rental housing properties owned by public housing agencies or authorities.

2) Extends the requirement that the California Public Utilities Commission (CPUC) award monetary incentives for those solar energy systems through December 31, 2032. Prohibits using moneys authorized through the program to meet regulatory requirements related to the solar rooftop mandate (Title 24 Building Standards), if those multifamily residential properties are new construction.

3) Limits the applicability of the requirement that low-income tenants who participate in the program receive credits on utility bills to units that are separately metered.

EXISTING LAW:

1) Grants the CPUC with regulatory authority over public utilities, including electrical corporations. (Public Utilities Code § 701)

2) Establishes the Multifamily Affordable Housing Solar Roofs Program which is also referred to as SOMAH. (Public Utilities Code § 2870)

    a) Requires the CPUC, beginning with the 2016–17 fiscal year and ending with the 2019–20 fiscal year, to grant annual allocation of $100,000,000 million for the program. Requires the CPUC to continue authorizing the allocation of those moneys through June 30, 2026, if the CPUC determines that revenues are available and that there is adequate interest and participation in the program. (Public Utilities Code § 2870) (c)

    b) Requires the CPUC to award monetary incentives for qualifying solar energy systems, as defined in the SOMAH Program, that are installed on multifamily residential buildings of at least five rental housing units that are operated to provide deed-restricted low-income residential housing, as defined, and that meet one or more specified requirements, including that at least 80 % of the households have incomes at

or below 60 % of the area median income, through December 31, 2030. (Public Utilities Code § 2870)

c) Requires not more than 10% of the allocated grant for the program shall be used for administration of the program. (Public Utilities Code § 2870) 4(e)

d) Requires low-income tenants who participate in the program receive credits on utility bills from the program. (Public Utilities Code § 2870) (f) (2)

3) Requires the CPUC to ensure that electrical corporation tariff structures affecting the low-income tenants participating in the program continue to provide a direct economic benefit from the qualifying solar energy system. (Public Utilities Code § 2870)

4) Requires the CPUC to allocate up to 15% of revenues received by an electrical corporation as a result of the direct allocation of GHG allowances to electrical distribution utilities to be used for clean energy and energy efficiency projects and otherwise requires revenues to be credited directly to residential, small business, and emission-intensive trade-exposed customers. (Public Utilities Code § 748.5)(a)

5) Requires the CPUC to establish a program for assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. (Public Utilities Code § 739.1)

6) Requires every electric utility, defined to include electrical corporations (IOUs), local publicly owned electric utilities (POUs), and electrical cooperatives, to develop a standard contract or tariff for net energy metering (NEM), for generation by a renewable electrical generation facility, and to make this contract or tariff available to eligible customer-generators until the time that the total rated generating capacity used by eligible customer generators exceeds five % of the electric utility's aggregate customer peak demand. (Public Utilities Code § 2827)

FISCAL EFFECT: According to the Senate Committee on Appropriations, the fiscal impact to this bill is unknown but potentially significant cost pressure from Cap-and-trade allocation sales and ratepayer funds due to expanded SOMAH Program eligibility, and continued use of available funding for an additional two years, until 2032. It's also noted that this bill would result in reduced credits to electricity consumers as a result of the sale of Cap-and-trade allocations. The CPUC estimates any costs would be minor and absorbable.

BACKGROUND:

Statewide Solar Initiatives in 2006 – California is often at the forefront of policy, technology and investments in clean energy. AB 32 (Nunez, Chapter 488, Statutes of 2006), also known as the California Global Warming Solutions Act of 2006 created a market mechanism for the auctioning of greenhouse gas (GHG) proceeds for utilities and required that 15% of the revenues from that auction would go to clean energy and energy efficiency projects.[1] This mechanism,

[1] Pg 6, Clean Energy Alliance, "California's Solar for Multifamily Affordable Housing (SOMAH) Program; November 2022

known as the California Greenhouse Gas Cap-and-Trade Program, has been instrumental in California's clean energy transition.

Additionally, SB 1 (Murray, Chapter 132, Statutes of 2006) authorized the California Public Utilities Commission (CPUC) to launch the California Solar Initiative (CSI), an unprecedented $3.3 billion ratepayer-funded rebate program with the goal of installing 3,000 megawatts (MW) of new grid-connected solar over the next decade. Seemingly, these efforts were to also dramatically reduce the cost of solar power.[2] CSI had historical programs that provided incentives to low-income customers installing solar photovoltaic (PV) systems, and to all utility customers installing solar water heating systems:

- The Single-family Solar Affordable Solar Housing (SASH) Program was established in 2006 and required a minimum of 10% of CSI funds be set aside for programs assisting low-income households in Investor Owned Utility (IOU) service territories.[3]

- The Multifamily Affordable Solar Housing (MASH) Program was established in 2008 to provide solar incentives on qualifying affordable housing multifamily dwellings.

Low Solar Adoption in Disadvantaged Communities – AB 217, Bradford (Chapter 609, Statutes of 2013) provided $108 million to SASH and MASH programs and extended their operations to 2021. As of 2022, the SASH program has installed 30.6 MW of capacity, while MASH has installed 57.2 MW.[4] Both the SASH and MASH programs are closed to new applicants with unfunded projects remaining on the program's waitlists in each IOU territory. Despite these efforts, the adoption of solar in disadvantaged communities (DACs)[5] remained low. In 2015, only about 6% of residential customers had access to solar in DACs.[6] This estimate has been attributed to the chronic housing, public health, and economic burdens that already plague these communities.

Solar on Multifamily Affordable Housing (SOMAH) Program – AB 693 (Eggman, Chapter 582, Statutes of 2015) created the Multifamily Affordable Housing Solar Roofs Program, which confusingly is called by CPUC the Solar on Multifamily Affordable Housing Program (SOMAH).[7] SOMAH is funded at $100 million annually, and up to $1 billion over 10 years from the IOUs share of GHG auction proceeds, and it aims to install 300 MW of capacity by 2030. SOMAH targets existing multifamily affordable housing[8] with 80% of property residents having incomes at or below 60% of area median income.[9] Although the SOMAH program shares many

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[2] Pg 2, "California Solar Initiative: California Public Utilities Commission Staff Progress Report"; January 2009
[3] AB 2723, Pavley, Chapter 864, Statutes of 2006
[4] Pg. 6, CPUC, *2022 California Solar Initiative Annual Program Assessment*, June 2022; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2022/2022-csi-apa.pdf
[5] The term "disadvantaged communities" refers to the areas throughout California which most suffer from a combination of economic, health, and environmental burdens. These burdens include poverty, high unemployment, air and water pollution, presence of hazardous wastes as well as high incidence of asthma and heart disease, as identified by CalEnviroScreen 4.0
[6] Pg. 6, CPUC, *2022 California Solar Initiative Annual Program Assessment*, June 2022; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2022/2022-csi-apa.pdf
[7] D.17-12- 022
[8] D.06-01-024 created a separate component of CSI specifically for residential new construction to be overseen by the California Energy Commission (CEC)
[9] Defined in Section 50052.5 of the Health and Safety Code

features with the MASH program that ended in 2021, CPUC delineated SOMAH as a different program with new rules and procedures to be developed. SOMAH was also the first program to provide direct benefits to tenants through virtual net metering (VNEM).[10] Historically, multi-tenant buildings with individual electric meters for each tenant have historically faced challenges installing distributed solar Photovoltaic (PV) systems because unlike a single family home, it's difficult to fairly distribute the benefits of on-site renewable electricity generation among various tenants and the owner. As such, VNEM was designed by CPUC to attempt to address this challenge. The SOMAH program is known to provide bill savings to low-income households that would otherwise be unable to benefit from on-site solar generation.

SOMAH Program Implementation –The CPUC designated the Center for Sustainable Energy, GRID Alternatives, the Association for Energy Affordability, and the California Housing Partnership Corporation, a team of nonprofits as program administrators.[11] These program administrators leveraged their existing relationships, and brought Community based Organizations (CBOs) into the program implementation process, as part of community outreach efforts. Even though the launch of the SOMAH program was marked with delays,[12] the program was inundated with applications, the first day it became available July 1, 2019. In April 2020, the CPUC directed the IOUs to continue funding the SOMAH program through 2026.

SOMAH Project Impact – According to the SOMAH website, there have been 82 completed projects with 15 MW of installed capacity with service to over 7,333 tenant units across the state. 32% of projects serve residents in disadvantaged communities identified by CalEnviroScreen. About $ 30 million in incentives has been paid to tenants. Currently, there are 422 active projects representing 50 MW of reserved capacity.

Limited Program Eligibility – SOMAH's program's eligibility criteria as currently specified in Public Utilities Code Section 2870 leaves out many vulnerable households due to property type or its location. Currently, there are no CPUC solar programs available to low-income households living in mobile home parks. Low-income households residing in mobile home parks or located in California Indian Territory are not substantially different from currently eligible households. As a result, a significant amount of incentive dollars remain unused in the three largest IOUs territories of Pacific Gas & Electric (PG&E), Southern California and San Diego Gas & Electric (SDG&E).

Unspent Incentives – About $400 million in incentive funding is currently available across all IOUs.[13]As illustrated in Table 1, PG&E has $133,816,172 in remaining incentives, which equates to 69% of available incentives in its territory. $212,952,120 remains in funding within Southern California Edison which is equal to 79% of current funding yet to be utilized in that territory. PacifiCorp which represents one of the smallest utilities has 97% of its incentives funding available for its residents.

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[10] Virtual Net Energy Metering (VNEM or VNM) is a tariff arrangement that enables a multi-meter property owner to allocate the property's solar system's energy credits to tenants. The generated electricity does not flow directly to any tenant meter, but feeds directly back onto the grid. The participating utility then allocates the kilowatt-hours from the energy produced by the solar PV generating system to both the building owner's and tenants' individual utility accounts, based on a pre-arranged allocation agreement.

[11] CPUC, Energy Division; Resolution E-4987; March 2019

[12] Some delays were attributed to lengthy negotiations between the program administration team and the different IOUs involved in administering the program funds.

[13] SOMAH, "Distributed Generation Statistics"; https://www.californiadgstats.ca.gov/charts/somah/

Table 1: SOMAH Incentive Funding by Investor-Owned Utility (IOU)[14]			
IOU	**Total Incentive Budget ($)**	**Remaining Incentive Budget ($)**	**% of Total that is Remaining**
Pacific Gas & Electric	195,076,849	133,816,172	69%
Southern California Edison	268,718,659	212,952,120	79%
San Diego Gas & Electric	67,152,167	49,708,005	74%
PacifiCorp	6,170,225	5,955,496	97%
Liberty	1,751,447	1,470,907	84%
Total	**538,869,347**	**403,902,700**	**75%**

COMMENTS:

1) *Author's Statement.* According to the author, "Currently, the Solar on Multifamily Affordable Housing (SOMAH) program provides financial incentives for qualified solar installations on multifamily affordable housing properties. A key facet of this program is providing financial benefits from the solar installation directly to the residents of the affordable housing development. Unfortunately, the program has faced some implementation challenges over the last seven years, such as delayed implementation. SB 355 will address these limitations to expand the properties eligible for the program and ensure eligible low-income families are able to benefit from the remaining $400+ million in the SOMAH program."

2) *Adjust Rate of Spending.* This bill extends the timeframe for CPUC to provide incentives for the SOMAH program from December 2030 to December 2032. The supporters of the bill have argued the need to extend the program timeframe in response to the delays that emerged from the passage of this legislation to its implementation. Some of the causes of the delays have been mentioned earlier. While this extension seems reasonable, it could also put pressure on administrative funds which will need to cover a longer period of time. When the program ends in 2030 there will be close-out activities, including final reports and evaluations. Extending through 2032 requires another evaluation and legislative report. Currently, the program administrator is spending at a rate connected to a shorter timeframe As such, the program administrator should consider adjusting the rate of spending to a longer timeframe.

3) *Address Inequality*. As indicated earlier, the SOMAH program has widespread interest, even though recently, the number of applications have stalled. The CPUC's recently increased incentives that could help address some of the increase in project costs, particularly those affected by recent inflation but deferred from modifying incentives for properties in disadvantaged communities to an anticipated future decision.[15] Raising the

[14] SOMAH Semi-Annual Progress Report (July 2022) ; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/somah/somah-semiannual-progress-report_-july-2022.pdf .The remaining incentive budgets include some portion of funds which were collected based on the IOUs' forecasted greenhouse gas auction results and will be adjusted after the calendar year has ended.
[15] D.23-03-007

income limit and reducing the low-income household as the bill proposes may mean it will be easier for properties in urban areas to participate in the program, and incentive dollars could move more quickly. Additionally, solar generation can benefit low-income mobile home residents and tenants living in California Indian Territory. If solar access does not expand, addressed, these vulnerable groups will continue to lack access to subsidized distributed solar power. As such, the alternative is to maintain the status quo and permit the SOMAH eligibility criteria to remain unequitable. The legislation as proposed could address this issue of inequality.

4) *Related Legislation.*

AB 1181 (Zbur) requires the California Public Utilities Commission (CPUC) to improve interconnection of energy storage systems in multifamily properties participating in virtual net energy metering. Also, increases financial incentives for eligible affordable multi-family homes that install solar and battery technologies under Self-Generation Incentive Program (SGIP) and Solar on Multifamily Affordable Housing (SOMAH) program. Status: Held in Assembly Committee on Appropriations.

AB 1664 (Friedman, 2023) requires the CPUC to establish a block grant structure for administering a portion of SGIP funded by the General Fund to allow investments for eligible residential customers, including those of POUs and California Indian tribes. Status: Held in Assembly Committee on Appropriations.

SB 851 (Stern, 2023) requires the CPUC to establish a block grant structure and associated guidelines within the SGIP for California Indian tribes, community-based service providers, local publicly owned electric utilities, and community choice aggregators to apply for grants on behalf of eligible low-income residential households. Status: Held in Senate Committee on Appropriations.

5) *Prior Legislation.*

AB 2667 (Friedman, 2021) would have established a program at the CEC to provide incentives for commercially available distributed energy resources, specifically, behind-the-meter energy storage systems or self-generation systems paired with energy storage. Would have established the Integrated Distributed Energy Resources Fund as a special fund in the State Treasury, the moneys in which would be available to the CEC, upon appropriation by the Legislature, for purposes of the bill. The bill would have required the CEC to administer the fund in consultation with the CPUC and CARB to provide incentives for eligible resources to support statewide customer adoption of clean distributed energy resources. Status: failed passage on the Senate Floor in 2021.

SB 92 (Committee on Budget) requires the CPUC to annually authorize either Status: 100 million or 66.67% of available incentives for the SOMAH Program The funding allocation is determined by the IOU service territory where a project is located or interconnected. Status: Chapter 26, Statutes of 2017

AB 693 (Eggman) created the Multifamily Affordable Housing Solar Roofs Program, to provide financial incentives for qualified solar installations at multifamily affordable

housing properties funded from IOU's GHG allowances. Status: Chapter 582, Statutes of 2015

AB 217 (Bradford) extended the low-income programs of the CSI Program from 2016 until 2021, authorizes the collection of an additional $108 million for these programs, and adds additional standards to the program. Status: Chapter 609, Statutes of 2013

SB 1 (Murray) established the electric portion of the CSI with a 10-year budget of $2.2 billion collected from ratepayers. Status: Chapter 132, Statutes of 2006

AB 2723 (Pavley) required the CPUC to ensure that not less than 10% of the funds for the California Solar Initiative are utilized for the installation of solar energy systems on low-income residential housing. Status: Chapter 864, Statutes of 2006

REGISTERED SUPPORT / OPPOSITION:

Support

350 Bay Area Action
Association for Energy Affordability
California Democratic Party Renters Council
California Environmental Justice Alliance Action, a Project of Tides Advocacy
California Housing Partnership
California Solar & Storage Association
Center for Sustainable Energy
Eden Housing
Grid Alternatives

Opposition

None on file.

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