

CALMATTERS

As rooftop solar debate flares, builders, landlords and renter advocates are taking sides

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California isn't short on lofty goals: Lawmakers have vowed to zero out the state's carbon emissions by 2045, build 2.5 million new homes by the end of the decade and swap gas-burning appliances with electric ones in 7 million homes over the next 12 years.

Now California's chief utility regulator is considering a new rooftop solar policy that a chorus of critics say will make it harder for the state to meet any of those ambitious targets.

On Oct. 12, the California Public Utilities Commission will vote on whether to reduce the payments that owners of solar panel-equipped apartment buildings receive for the electricity they generate on their rooftops. The decision could mirror an overhaul that the commission adopted late last year for sun-powered single-family homes and is part of a larger battle among environmentalists and energy policymakers over the role that individually-owned solar panels should play in the state's planned divorce from fossil fuel-derived energy.

In both cases, the new rules only apply to new customers.

Supporters of the rule change — the state's major electric utilities chief among them — argue that the new proposed rates, which vary over the course of a day, better reflect the actual value that

rooftop solar panels provide to the electrical grid while offering a fairer shake to customers who don't have the luxury of living beneath solar panels.

The new pricing system is also designed to encourage property owners to pair solar panels with batteries, which can store up solar energy in the middle of the day when it's abundant and cheap and dispatch it when the grid needs it most after the sun sets and when the CPUC's proposed adjusted rates are higher.

But a notably diverse coalition of California interest groups have banded together to argue otherwise. Landlords, tenant rights organizations, affordable housing advocates, environmental nonprofits and the building industry — which rarely all agree — now say that the policy would only “eviscerate” the multifamily solar market.

What's more, they argue, the proposed change runs counter to a host of ambitious policy goals that California lawmakers have set out to combat climate change, air pollution and the affordable housing crisis.

“This proposed decision seems to go right in the opposite direction,” said Bob Raymer, technical director at the California Building Industry Association, a lobbying group that opposes the regulatory overhaul. “It's nuts. I've been doing this stuff for over 40 years and this one is just baffling.”

Solar policy déjà vu

If this argument sounds familiar, a version has played out in public once before.

In December, the commission cut the payments that homeowners with rooftop solar arrays receive by roughly 75%. The decision came after months of debate, with both sides claiming to speak in the interest of clean energy and economic justice.

Previously, utilities were required to pay homeowners roughly the retail rate for electricity produced by a photovoltaic array and exported back to the grid. Utilities have long chafed at that arrangement, joining organized utility workers and even some environmental groups, in arguing that the more cost-effective way to supercharge clean energy production is to focus on utility-scale (read: big) projects. That's opposed to the disaggregated fleet of photovoltaic arrays, found disproportionately on the homes of the well-to-do, who were able to skimp on the costs of grid maintenance and upgrades, effectively shunting that onto everyone else's monthly bills.

The CPUC agreed with that argument and replaced that retail tariff with a much lower, adjustable fee.

That's more or less what is being considered this time around for apartment building owners, but with one highly contested difference.

Even with these lower payments, single-family homeowners with solar can still boost the benefit of their array by using the electricity they generate on site. Every kilowatt hour “self-consumed” is a kilowatt hour that the homeowner doesn't have to pay in high retail prices. That can add up to significant savings.

But under the proposed overhaul for apartment dwellers, no such savings would be allowed. All of the electricity generated would count as an “export” to the grid and get compensated at the lower wholesale rate. Likewise, all electricity used by the residents of that apartment building would need to be purchased from the utility at retail. For accounting purposes, there would be no “self-consumption” allowed.

For rooftop solar companies, the lack of a “self-consumption” provision for apartment buildings amounts to an existential threat.

Ivy Energy, a San Diego company that sells software to multifamily landlords hoping to offer their tenants solar power, argued to the CPUC that the rule, if adopted as proposed in August, “would eviscerate the economic value proposition” for multifamily solar “rendering all new projects infeasible and unfinanceable, and effectively result in a collapse of the multifamily solar market.”

Both the state’s major investor-owned utilities and the CPUC say that coming up with a way to account for self-consumption to apartment buildings, where different residents are using different amounts of electricity at different times and would require different levels of compensation, would be a technical nightmare to administer. They argue that it would be costly to build out, raises potential privacy concerns between renters and their landlords and would result in billing so convoluted that no resident could possibly use it to predict the cheapest time to run their dishwasher.

“Illogical and convoluted” is the term used in a joint letter to the CPUC by Southern California Edison, Pacific Gas & Electric and San Diego Gas & Electric.

But just because such a system would be hard to implement doesn’t warrant upending the entire industry that has built itself up around the old system, said Bernadette Del Chiaro, executive director of the California Solar & Storage Association.

She pointed to the single-family solar market as a telling example. Since the new policy went into effect, she said, the number of residential solar projects in the pipeline has dropped at least 40%.

“But we’ve gotten ourselves in this situation where we’re almost touting the single family version” of the policy, she said. “It’s still not going to be a great thing, but at least it’s not sudden death. Which is what this is.”

In opposition: A big tent

As the CPUC mulled the decision over the summer, a disparate collection of interest groups flocked to the rooftop solar industry’s defense, but for different reasons.

Builders oppose anything that makes solar less financially attractive because the California Energy Commission, another state agency, now requires virtually all new residential construction to come equipped with solar panels.

Throwing a wrench into the economics of rooftop solar also complicates the statewide push to go electric, to the chagrin of property owners and the entire electrification industry.

“Solar is one of the biggest revenue streams for a landlord asking ‘Why should I invest all this money in a heat pump, a new hot water system?’” said David Chanin, co-founder of FutureFit Partners, a company that helps house and apartment owners make those investments. “Under these new rules I have pretty serious concerns that entire building electrification projects just won’t pencil out anymore.”

And while the overhaul for single-family solar users mostly directly affected homeowners, it’s apartment-dwelling renters who are likely to be most affected by the current decision.

The current system “really is the only mechanism we have for a lot of low-income people living in multifamily housing to get solar and clean energy,” said Andrew Dawson, a lobbyist with the

California Housing Partnership, a nonprofit that advocates for affordable housing. “For electrification purposes, solar is really important to make sure that people’s bills don’t increase significantly.”

Other programs do exist to help lower income Californians go green. The state’s Solar on Multifamily Affordable Housing program provides financial incentives for property owners to invest in new panels and is funded under a different formula. But that program’s coverage is patchy across the state, said Dawsom.

Andrea Barnier with Self-Help Enterprises, a low-income housing provider in Visalia, said only 15 of the organization’s 40 multifamily projects will be insulated from the policy change through that state program. For the remaining sites, and all future apartment projects, she called the new rule a potential “deterrent to all-electric design.”

In a filing with the CPUC, the state’s three investor-owned utilities note that multifamily solar is still a relatively rare phenomenon in California. At last count, just 217 residential facilities across the state make use of the program, along with 513 other mixed residential and commercial sites.

But with the state vowing to simultaneously turbocharge apartment construction, electrical vehicle purchases and the jettisoning of gas stoves and hot water heaters, critics say that while supporting distributed solar may not be vital now, it will be in the near-future.

“As climate impacts like rising heat continue to increase, there is an ongoing need for grid independence and alternate energy solutions from batteries during rolling blackouts and emergencies, so this also impacts our ability to develop resilient communities,” said Barnier.

A coming political dust-up?

It may only be a matter of time before this argument gets dragged out of the highly-technical and mostly overlooked corridors of the CPUC and into the broader realm of partisan politics.

In July, the California Democratic Renters Council, a coalition of tenant rights, pro-housing and environmental justice advocacy groups, sent a letter to the CPUC’s five commissioners. It decried the proposed regulatory change that “would force renters to buy all of their power from the utility even when it is generated on their own rooftop” and “discriminate against renters by not giving them the same fair treatment as single-family homeowners.”

Though many observers expect the CPUC to ultimately vote for the overhaul next week, the breadth of the coalition that has mobilized against it might be difficult for other state lawmakers to overlook, said Raymer with the building industry.

“From a political standpoint, if this gets passed the way it’s proposed, I think the Legislature will be right back in 2024 addressing this,” he said.