

Rooftop-solar industry blames PG&E, Newsom as Bay Area businesses struggle

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Bay Area rooftop-solar businesses are reeling from a statewide change that gutted compensation for homeowners returning surplus power to the electrical grid, causing applications for new solar to plunge to a 10-year

low and leading to layoffs in an industry that had expected to lead the vanguard toward more sustainable, environmentally friendly energy use.

Owners of residential solar systems had been receiving enough utility credits to pay for most systems in seven years, industry representatives said, but for systems ordered after April 15, 2023, it will take 11 years. Residents with systems predating the change will continue to receive the same compensation.

"They clobbered the economics," said Barry Cinnamon, owner of rooftop-solar company Cinnamon Energy Systems in Los Gatos.

Sales of rooftop-solar setups have plummeted about 80% since the commission shrank by 75% the compensation new solar owners get for surplus power, the California Solar & Storage Association said. The group estimated 2,700 jobs have been lost in the Bay Area, of 17,000 statewide. About two million California homes have solar, according to the Solar Energy Industries Association.

"So many businesses are struggling to keep their doors open," said the association's executive director Bernadette Del Chiaro. In lower-income areas of Northern California and the Central Valley, the effects are more severe than in the wealthier Bay Area, Del Chiaro said. Still, solar company owners in this region described major fallout.

Under the new formula, the average solar owner loses out on about \$1,200 a year in savings, Del Chiaro said.

Cinnamon's rooftop-solar sales fell more than 50%, he said, and many orders were for smaller systems. "Low- and middle-income people are really incapable of affording solar now," Cinnamon said.

California households with median incomes of \$50,000 to \$100,000

have long had the highest rates of solar installation, although Bay Area solar adopters skew wealthier, according to Lawrence Berkeley National Laboratory data.

At Corda Solar in Danville, business has plunged since April 15, said co-owner Courtney Corda. "It's a bit of an exaggeration to say the phone didn't ring for four months, but it's not far from that," Corda said. "We're just falling off a cliff."

Her business also installs backup generators and solar heating for pools, so it is not in jeopardy of failing, but she had to let go a third of her installation staff—the company's first layoff for lack of work, Corda said.

Critics claim millions of dollars in [political donations](#) from utility giant PG&E and powerful electrical workers unions to Gov. Gavin Newsom influenced his appointments to the California Public Utilities Commission, whose decisions are making rooftop solar costlier for consumers and industrial-scale solar more lucrative for investor-owned PG&E. And as the utility's rates are surging, its government allies have made it harder for residents to escape it by generating their own household power—or to help fight climate change by switching to [electric cars](#) and home heat pumps, the critics contend.

In a Dec. 13 blog post, PG&E crowed about record applications for solar power making 2023 a "historic year." The utility noted an "unprecedented volume" of applications in January through April, between the announcement of the compensation cut and its implementation.

Absent from the post is what happened after the cut took effect in April. State data show solar applications in PG&E's service area climbing steadily from June 2020, spiking abruptly after the commission's

December announcement of the compensation cut, then plunging after April to levels not seen since 2014, other than in two months of pandemic shutdowns in 2020.

PG&E, in a statement, described criticism that it is obstructing rooftop solar as "blatantly false," and said it has connected more than 700,000 systems.

Central to PG&E foes' criticism is the guaranteed 10% to 12% profit it is allowed to make, via rate increases, on its investments in infrastructure including systems for feeding power to urban areas from large remote solar arrays. "That's crazy high," said Del Chiaro, of the solar industry association. "It sets up this incentive for them to be against anything that reduces the need for poles and wires."

Newsom's office declined to comment.

Critics of the cut see further machinations in a 2016 agreement between PG&E and the International Brotherhood of Electrical Workers—whose members build large-scale power-delivery infrastructure—that said "changing energy policies and competition" in California meant the utility and union should work together in the face of broadening customer choices.

IBEW lobbyist Scott Wetch said claims that the union's political activism had a "disproportionate impact" on the commission's decision to slash compensation ignored broad support for the cut among some environmentalists and ratepayer advocates.

The California Court of Appeal, in upholding the cut Dec. 20, described the previous compensation formula as "an economically unwarranted subsidy" for homeowners with solar, paid for by utility fees from those without. The value of compensation varies widely depending on time of

day and time of year.

Bubbling beneath the dispute over residential solar is a bitter battle dividing [environmental groups](#) over whether combating climate change requires sacrificing pristine—but ideal for solar generation—desert wilderness like the Mojave Desert. Critics of the payback cut say it tips California's solar development heavily in favor of environmentally damaging industrial-scale solar projects while kneecapping the rooftop generation crucial to getting California off fossil fuels quickly.

"We're plowing those ecosystems under for solar developments affecting desert tortoises and kit foxes and bighorn sheep," said Dustin Mulvaney, an environmental studies professor at San Jose State University who has testified before Congress three times in the past two years about [solar power](#) and electricity storage. "We have a biodiversity crisis and a climate crisis and I think rooftop solar is really a perfect way to address both."

To make meaningful progress against [climate change](#), and shut down climate-damaging natural gas power plants that still provide 36% of the state's electricity, California needs solar on every viable roof, parking lot and canal, and it also needs big arrays in less-sensitive sites including the state's tens of thousands of square miles of hazardous-waste sites, abandoned dumps and mines, Mulvaney said.

With more utility-scale and rooftop solar meeting California's midday energy needs, homeowners' daytime surplus power "isn't having as significant an environmental benefit," said Matt Vespa, a lawyer for San Francisco environmental law nonprofit Earthjustice. The value for the grid and environment, Vespa said, now comes from storing the surplus in batteries for evening when energy demand and the burning of fossil fuels for generation are highest.

Reducing the value of midday surplus generation pushes people toward setups with batteries and electric appliances like heat pump water heaters that can be set to heat water when the sun is shining, Vespa said.

Solar industry representatives highlight the \$5,000 to \$10,000 additional cost of putting batteries on a typical \$15,000 rooftop solar setup. But they acknowledge, as Cinnamon, the Los Gatos businessman said, that since the payback cut, adding capability to store power generated during the day, has become "essential" for cutting electricity bills.

Selcuk Gun, a Google software engineer who lives with his wife and son in San Jose, put solar up two years ago, attached batteries last year, and is now adding panels to power computer servers, heat pumps and a leased electric vehicle. "I won't be using expensive electricity in the prime time during the evenings," said Gun, 41. "That's a huge win. My home electric use is quite outrageous. For most families, they wouldn't pay anything to PG&E with this setup."

The utilities commission, responding to criticism of the cut, highlighted a move to battery systems, saying it was "actively steering California" toward a "thriving" market for rooftop solar with batteries.

Del Chiaro said battery attachment rates have gone up, but with fewer new solar installations, any progress will be limited.

Former San Jose Mayor Sam Liccardo, a rooftop-solar advocate now running as a Democrat to represent Silicon Valley in the U.S. House of Representatives, said incentives, possibly including new federal loan programs, would help put "batteries in every garage."

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