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COMMUNITY

# Ending the Great Cost Shift: How California's Poor Subsidize the State's Solar Lifestyle, Part 1

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by *S.E. Williams*  
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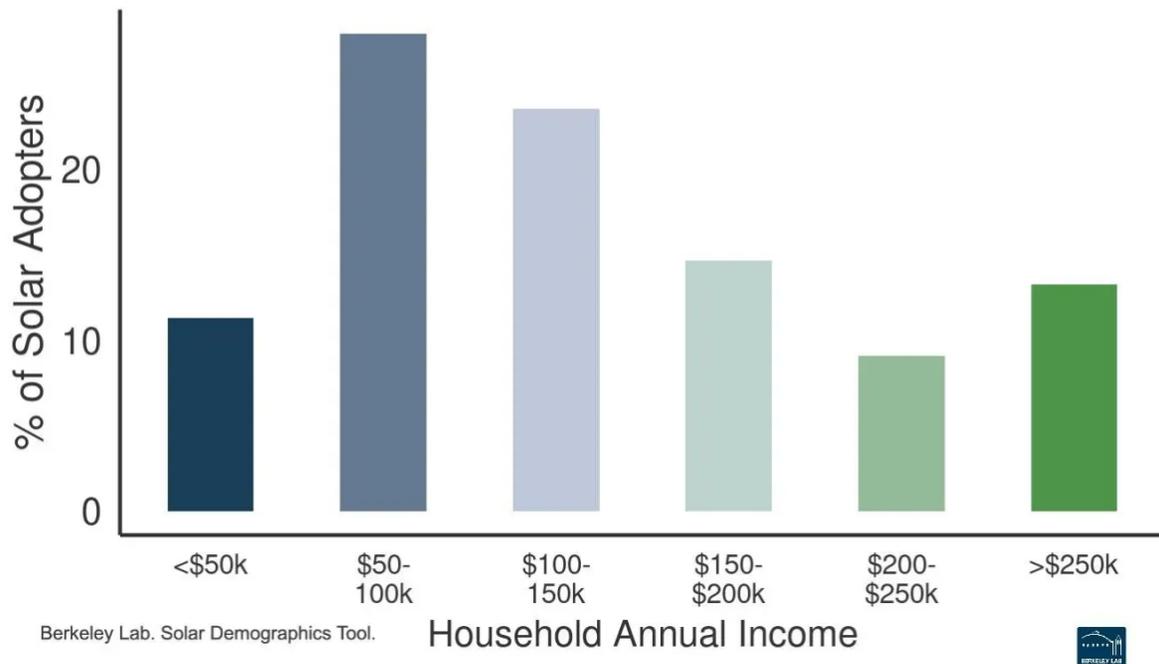


## S. E. Williams |

California's poorest communities are subsidizing the state's solar movement through a little known and even less understood subsidy called Net Energy Metering (NEM).

Research shows solar-adopters are principally those with higher incomes who tend to live in neighborhoods with comparatively high White and Asian populations and relatively low Hispanic and Black populations.

## Solar Adopter Income Distribution California (All Years)



(source: [emp.lbl.gov/](http://emp.lbl.gov/))

Even the poorest electricity consumers—those who qualify for low-income assistance—pay extra in their electric bills to cover costs incurred by wealthier customers who have solar systems.

Meredith Fowle, professor, and faculty director for the Energy Institute at Berkeley, stated, “What Californians pay is much higher than the true marginal cost of using electricity.” According to Fowle, “This puts an unnecessary cost burden on low- and middle-income households as we transition to using clean electricity.”

A **study** she co-authored, points to the way utilities bundle their fixed costs which include subsidies for rooftop solar, in addition to the continuously increasing costs of wildfire mitigation into kilowatt-hour prices paid by their customers. Surprisingly, according to the study, about 77 percent of what customers pay for their electric service goes toward such fixed costs. These costs are baked in and do not change whether customers use more, or less electricity.

As the inequity in this system continues to grow, calls for reform reach a

fever pitch joined by the state's leading investor owned energy companies like Southern California Edison, Pacific Gas and Electric, San Diego Gas & Electric, a host of consumer protection agencies and advocacy groups ranging from the Natural Resources Defense Council to the American Association of Retired Persons (AARP) to The Utility Reform Network (TURN), and other interested parties, all pressing the California Public Utilities Commission and the State Legislature for change. Though their recommended solutions are different, they all agree the current process is shifting costs, and unless there are changes, the inequities can only exacerbate.

### **Net Energy Metering**

More than 25 years ago, conversations about clean energy were interesting but not imminent for most, and rooftop solar panels, despite their projected benefit for the environment, seemed a futuristic benefit for those who could afford it. As a result, NEM subsidies did not have much resonance with most energy consumers beyond those who installed and directly reaped the benefits of solar rooftop technology.

It was then, NEM subsidies were designed and implemented in part, to "encourage private investment in renewable energy resources, stimulate in-state economic growth, [and] enhance the continued diversification of California's energy resource mix."



*(source: ani.gov)*

Although the subsidy has worked well for those who installed solar and are now benefiting from it, for low-income households, renters, and seniors—it is not as they are stuck paying a lion's share of the subsidies without the benefit of clean energy technology.

Today, economically stressed households in the inland region and across the state work to stay current with their utility bills while catching up on millions of dollars in past due utility charges due to the 2020 impacts of COVID-19, many may be unaware of the rising cost of their electric bills are the result of increasing subsidies as more and more residents in the state install solar.

### **How Net Energy Metering Works**

When a customer's rooftop solar system generates excess energy, they receive a credit on their electric bill. The credit is set at nearly full retail rate. Part of the problem is utilities are required to credit rooftop customers for this excess energy at a rate that is about eight times higher than the cost of solar on the open market. This results in solar customers paying minimal bills and not paying their fair share toward what it costs to operate and maintain the electric grid or any other required public policy programs that support low-income customers, wildfire mitigation, energy efficiency, etc.

Instead, those costs are “shifted” to customers without solar including those least able to afford it. As more and more customers install solar, few and fewer customers will be left to pay for these mandated policy programs.

In February, a report by the Brookings Institute shows the amount of energy solar customers sell back to the grid (as noted above) represents a relatively small amount.

The bigger issue, the issue that concerns customers without solar technology, is that NEM customers do not pay fully for energy they consume while—just like non solar customers—they are connected to the grid 24-hours a day, seven days a week. Solar customers are constantly connected to the grid to either receive energy or sell energy back to the grid.

### **NEM's Impact on the Poor**

On any given day, customers must constantly use the grid to balance supply and demand and the cost of grid services can be sizeable, **Brookings** reports. “[F]or a typical residential customer in the United States with an average electricity bill of \$100 per month, the actual cost of grid service can range from \$45 to \$70 per month—however, the customer does not see that charge.”

In the extreme example provided, if a solar customer's energy usage in a month nets to zero because their solar system produced the exact amount of energy they consumed, the customer would pay \$0 that month even though they were connected to the local electric company's distribution grid and continuously using its services the entire time.

This of course, is an extreme example and most NEM customers do pay some portion of the grid services they use. The problem is however, NEM customers pay for only a fraction of the grid services they use because of the NEM subsidies that “shift” those costs to non-solar customers.

See part 2 of this story for the state's way forward.

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