BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking on Customer-Generated Renewables for Priority Communities.	R.25-01-005 (Filed January 16, 2025)

CALIFORNIA SOLAR AND STORAGE ASSOCIATION MOTION TO EXPEDITE CONSIDERATION OF NEAR-TERM CHANGES TO THE SOMAH PROGRAM NECESSARY TO ADDRESS CHANGES IN STATE AND FEDERAL LAW

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Pursuant to Rule 11.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the California Solar and Storage Association ("CALSSA") respectfully submits this *Motion to Expedite Consideration of Near-Term Changes to the SOMAH Program Necessary to Address Changes in State and Federal Law* ("Motion").

I. INTRODUCTION & SUMMARY OF RECOMMENDATIONS

The Solar on Multifamily Affordable Housing ("SOMAH") program is a proven pathway for efficiently and effectively furthering California's clean energy and equity goals while simultaneously saving all ratepayers money. To date, the program is responsible for supporting the installation of over 50 megawatts[1] ("MW") of solar on affordable multifamily housing, leading to direct bill savings of up to 88 percent for nearly 64,000 Californian households[2] while reducing California Alternate Rates for Energy ("CARE") budget spending—costs that would otherwise

[1] *See Statistics and Charts - SOMAH*, DGStats, *available at* https://www.californiadgstats.ca.gov/charts/somah/.

[2] *SOMAH Working Data Set*, DGStats (updated March 2, 2026), *available at* https://www.californiadgstats.ca.gov/downloads/ ("SOMAH Working Data Set").

be recovered from all ratepayers—by over $800,000 in 2022, a figure the Commission expects will increase in future years.[3]

This rulemaking presents an opportunity for the Commission to continue to build upon the success of this program. The Commission appropriately scoped Track 1 of this proceeding to first settle long-overdue issues related to Senate Bill 355 implementation and then consider other potential modifications to the SOMAH and DAC-SASH[4] programs and the RES-BCT[5] tariff.[6] This phased approach is reasonable, and the accompanying schedule set forth in the Scoping Memo made sense as of the time of its issuance.[7]

Since then, the Trump administration enacted the One Big Beautiful Bill Act ("OBBBA"), significantly accelerating the phase-out of clean energy tax credits supporting wind and solar projects across the country, including those that to date have supported 85 percent of SOMAH projects in California.[8] This massive shift in federal support for clean energy projects threatens the economic viability of the continued deployment of SOMAH projects.

The Commission and stakeholders in this proceeding should act quickly to consider what changes are necessary to the SOMAH program to ensure its continued success within this evolving landscape. While the current schedule in the Scoping Memo is not *at odds* with the expedited timeline CALSSA proposes via this Motion—calling for parties to "[b]egin consideration" of Issue 2 (modifications to the SOMAH program) in Q4 2025 or Q1 2026[9]—it does not clearly lay out the

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[3] D.24-11-006, p. 8.
[4] Acronym for Disadvantaged Communities Single-Family Affordable Solar Homes.
[5] Acronym for Renewable Energy Self-Generation Bill Credit Transfer.
[6] R.25-01-005, *Assigned Commissioner's Scoping Memo and Ruling*, pp. 2, 4 (May 1, 2025) ("Scoping Memo").
[7] Scoping Memo, p. 4.
[8] *SOMAH 2026 Marketing, Education & Outreach Plan*, p. 18 (March 1, 2026), *available at* https://calsomah.org/sites/default/files/docs/2026-SOMAH-MEO-Plan.pdf.
[9] Scoping Memo, pp. 2, 4.

timeline and process for litigating Issue 2 or dictate a firm deadline for the Final Decision on the issue. As such, and in light of the intervening change in federal law that threatens to abruptly halt development under the SOMAH program this summer, CALSSA respectfully requests that the Commission supplement its Scoping Ruling with a Ruling (1) adopting a new Scoping Issue 2(a) focused on near-term SOMAH program changes, and (2) making the following clarifications and updates to the remaining Track 1 schedule:

Track 1 Event	**Date**
Begin Consideration of Issues 2, 4, and 5	Q4 2025-Q1 2026
Ruling Requesting Comments on Scoping Issue 2(a): Near-term Changes to the SOMAH Program Necessary In Light of Recent Changes in Law	March 18, 2026
Opening Comments on Issue 2(a)	April 1, 2026
Reply Comments on Issue 2(a)	April 15, 2026
Proposed Decision on Issue 2(a)	May 15, 2026
Final Decision on Issue 2(a)	June 25, 2026
Ruling Requesting Comments on Issues 2, 4, and 5	TBD
Opening Comments on Issues 2, 4, and 5	TBD
Reply Comments on Issues 2, 4, and 5	TBD
Proposed Decision on Issues 2, 3, 4, and 5	TBD
Final Decision on Issues 2, 3, 4, and 5	TBD

II. RECENT CHANGES IN LAW NECESSITATE NEAR-TERM UPDATES TO SOMAH PROGRAM INCENTIVE LEVELS

A. The Passage of the OBBBA Poses a Significant Threat to SOMAH Project Viability.

The enactment of the OBBBA on July 4, 2025, represented a substantial setback for clean energy development. One of the many changes poised to negatively impact the clean energy transition is the OBBBA's accelerated termination of the clean electricity production tax credit ("PTC") and the clean electricity investment tax credit ("ITC") for wind and solar facilities. As relevant here, the OBBBA ends the Internal Revenue Code Section 48E ITC for applicable wind

and solar facilities placed in service after December 31, 2027 (unless the project begins construction before July 4, 2026).[10]

The impact of this accelerated ITC phase-out on the continued viability of the SOMAH program should not be underestimated. The Section 48E ITC generally provides a six percent base credit for qualified facilities and up to a 30 percent credit when a facility meets certain additional criteria.[11] Crucially, Section 48E also includes Low Income Communities Bonus Credits that add another 20 percent credit to the ITC for SOMAH-type projects.[12] For the 402 completed SOMAH projects to date, which comprise about 55.9 MW of solar serving 28,100 tenant units, the 50 percent ITC + Bonus Credits provide over half of the funds necessary to construct the solar plus storage systems.[13] The Bonus Credits program began in late 2023, with bonus credit allocations becoming available for projects just as the prevailing wage requirements were becoming effective.[14]

For the past seven years, developers in California have successfully leveraged these federal funds to make SOMAH projects economically viable. The SOMAH program offers a few different levels of incentives depending on whether the project is also receiving ITC credits and/or Low-income Housing Tax Credits ("LIHTC"). For instance, a project with no federal tax credits receives a $3.50 per Watt incentive for tenant load, and a $1.19 per Watt incentive for common

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[10] IRS Notice 2025-42, *Beginning of Construction Requirements for Purposes of the Termination of Clean Electricity Production Credits and Clean Electricity Investment Credits for Applicable Wind and Solar Facilities*, pp. 1-2, *available at* https://www.irs.gov/pub/irs-drop/n-25-42.pdf ("IRS Notice 2025-42").

[11] *See* 26 U.S.C. § 48E(a)(2).

[12] *See* 26 U.S.C. § 48E(h)(1)(A)(ii).

[13] The March 2, 2026 SOMAH Working Data Set shows 402 projects completed (incentive claim approved, pending final incentive payment, or paid), for which the aggregate calculated incentive amount of just under $80 million is only 42 percent of total system costs of over $188 million.

[14] *See* Revenue Procedure 2023-27, published simultaneously with the Bonus Credits final rule in the Federal Register on August 15, 2023, *available at* https://www.federalregister.gov/d/2023-17078/p-13.

load, whereas a project supported by the ITC receives a $2.45 per Watt incentive for tenant load, and a $0.87 per Watt incentive for common load.[15] To date, 85 percent of SOMAH projects have received ITC credits.[16] In other words, few SOMAH projects have successfully moved forward under the standalone $3.50 per Watt/$1.19 per Watt incentive offerings that non-ITC projects receive. This indicates that the current SOMAH non-ITC incentive levels are insufficient to incent building owner participation.

B. California's New Prevailing Wage Requirements Are Increasing Development Costs as ITC Support For SOMAH Projects Is Ending.

This major change in federal law comes at a time when changes at the state level were already significantly increasing SOMAH project development costs. Specifically, California's enactment of Assembly Bill 2143 in 2022 established prevailing wage requirements for certain solar projects over 15 kW.[17] This requirement, which went into effect in January 2024, increases costs for the typical SOMAH project by approximately 32 percent.[18] These prevailing wage requirements have not yet materially slowed the rate of deployment of SOMAH projects,[19] which has continued at a steady pace, but they have been a significant driver of recent cost increases—which in turn have resulted in projects being increasingly reliant on tax credit equity to cover those costs. These projects are at risk of no longer being economically viable without ITC support.

C. The Commission Must Act Proactively to Ensure the Steady Progress of the SOMAH Program Continues.

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15 *SOMAH Program Handbook 9th Edition*, p. 56 (Table 4) (May 11, 2025), *available at* https://calsomah.org/sites/default/files/docs/SOMAH_Handbook_9.pdf ("SOMAH Handbook").

16 *See* SOMAH Working Data Set.

17 Assembly Bill 2143 (Carrillo, 2022).

18 Labor cost data of CALSSA member company Sunrun Inc., comparing prevailing wage to average wages paid for installation labor, by county.

19 *See Statistics and Charts - SOMAH*, DGStats, *available at* https://www.californiadgstats.ca.gov/charts/somah/.

Collectively, these two recent changes in law at the federal and state levels threaten to derail the recent steady progress and installation rate of the SOMAH program. Costs are going up, and to date those increases have been covered by additional federal Low Income Communities Bonus Credits — a program that will end August 7, 2026.[20]

It should be noted that the underlying 30 percent ITC will not abruptly cease to support SOMAH projects when it terminates on July 4, 2026. The IRS issued guidance confirming previous "safe harbor" provisions based on project expenditures that solar developers can take to secure credits before July 4, and CALSSA members are making strong efforts to secure safe-harbor materials that will allow access to the ITC for SOMAH projects well into 2027 and beyond. However, the Section 48E(h) Bonus Credits program is not an as-of-right tax credit but rather an "allocation of capacity," meaning a managed application program for a limited amount of tax credits. The program has a specific application window, by year; the 2026 Bonus Credit program closes August 7, 2026. In contrast to the underlying ITC, for which taxpayers can safe-harbor their as-of-right credits, this actively administered program terminates definitively on the closing date, and under the OBBBA, there will not be further rounds in 2027 and beyond.

These converging forces of state-mandated cost increases and the imminent federal elimination of essential financial resources will come to a head this summer, with the potential to dramatically change the economics of SOMAH projects. Currently, most SOMAH projects are third-party owned and require only a nominal customer payment; with no Bonus Credits and, eventually, the loss of the underlying ITC, that will have to change. Failure to make adjustments could in turn dramatically change stakeholders' willingness and ability to participate in the

[20] *See Clean Electricity Low-Income Communities Bonus Credit Amount Program*, U.S. Department of Energy, *available at* https://eco.energy.gov/licbonus/s/.

program. A thorough review of the current SOMAH incentive levels therefore needs to occur — urgently— in anticipation of the fast-approaching ITC phase-out. This proceeding presents an opportunity to prevent a major drop off, and to recalibrate the SOMAH incentive levels to accommodate the post-ITC project development landscape. The Commission should issue a Ruling expeditiously to kick off this process now, *before* the loss of the ITC and Bonus Credits threatens to render future SOMAH project development uneconomic.

The Commission has taken action in the past to address changing economic circumstances impacting the SOMAH program, when such intervention proved necessary. Several years ago, regular step-downs in the incentive levels clashed with rising costs driven by the COVID pandemic and other factors, and a large number of active SOMAH projects became no longer economically feasible. The result was that many projects with existing applications were sidelined and new applications trickled to a near halt. The Commission eventually stepped in and made the necessary adjustments, in D.23-03-007, to get the program back on track. However, it was a drawn-out process, starting with an unsuccessful Petition to Modify D.17-12-022 filed by CALSSA together with the Brightline Defense Project and Sunrun in May 2020, and not implemented until mid-2023, leaving the program virtually frozen for close to a year. The Commission should expedite its consideration of near-term changes to the SOMAH program to ensure this does not happen again.

Therefore, CALSSA respectfully requests that the Commission supplement its Scoping Ruling with a Ruling (1) adopting a new Scoping Issue 2(a) focused on near-term SOMAH program changes, and (2) making the following clarifications and updates to the remaining Track 1 schedule:

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Final Decision on Issues 2, 3, 4, and 5	TBD

III. CONCLUSION

For the foregoing reasons, CALSSA respectfully requests that the Commission grant this Motion and supplement its Scoping Ruling with an additional Ruling, as described herein.

Respectfully submitted,

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