

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 12**

To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update and Presentation – Pacific Policy Group

Date: June 13, 2024

Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group (LRTG) continues to meet and discuss legislative matters. Below is a summary:

This June is likely to prove to be the most pivotal month of the 2024 legislative session as the FY 2024-25 budget must be finalized, bills must pass policy committees in the second house, and bonds must be passed by the Legislature and signed by the Governor before the month ends.

Proposition 68 of 2018 was the last general obligation bond with natural resources and water funding to pass in California. Since then, the Legislature has considered a climate resilience bond every year, and 2024 appears to be on track for this streak to finally end in success. Both the Senate and the Assembly leaders are working to reduce and refine the climate bond proposals produced from their respective houses. Currently, two measures are in print, SB 867 (Allen) which proposes \$15.5 billion while AB 1567 (Garcia) proposes \$15.99 billion, but a final proposal will land somewhere between \$8 and \$9 billion. The Senate is proposing a limited energy chapter with \$500 million in investments for funding to port infrastructure upgrades to facilitate offshore wind development, transmission upgrades, and building decarbonization. The Assembly is looking at a much more ambitious energy chapter of \$2 plus billion focused on port infrastructure, grid modernization, and workforce development. The two houses negotiate how to merge their measures into one final bill, from there Governor Newsom and his agencies will propose their own set of priorities to bring this effort to a conclusion by June 27.

The budget process is on track to conclude on time in the month of June and not drag through the summer as we have seen in previous years. The Legislature is required by June 15 to propose a budget, and Governor Newsom has until June 27 to sign a budget bill for Fiscal Year 2024-25. Senate Pro Tem McGuire and Speaker Rivas announced on May 29 that the two houses had reached an agreement on how to close the \$28 billion deficit California is facing for FY 24-25. The Legislature's proposal largely mirrors Governor's Newsom's proposed budget, which was updated on May 14 as part of the Governor's May Revision. At May Revision, it was revealed that the state's budget deficit had grown by \$7 billion since the Governor had released his budget proposal in January. He also announced that the state is facing a \$28 billion deficit for FY 2025-26, and the Governor and Legislature are proposing cuts, fund shifts, and using the

rainy-day fund to address the FY25-26 deficit as well as FY24-25. Of note in the energy space, the Legislature is proposing to cut \$400 million from this year's budget proposal for the Diablo Canyon loan (understanding it is not needed at this time), cut \$40 million to the Strategic Energy Reserve, and delay a total of \$32 million slated for DWR to implement its function as the Central Procurement Entity.

As noted in the April legislative update, there has been a bit of drama related to energy policy bills, and the month of May saw a continuation of interesting outcomes. In April, AB 1999 (Irwin), a bill that would impose to cap the Income Graduated Fixed Charge (IGFC), was pulled from the Assembly Utilities & Energy Committee (U&E) and moved back to the Rules Committee, which seemingly was a move to prevent it moving forward this session. The author amended the bill to impose a sunset on the IGFC and U&E gave the bill a special hearing on May 15, and the bill was passed. The very next day, the Assembly Appropriations Committee convened its Suspense File hearing, and summarily killed the bill. It was a curious couple of days as special hearings are only convened with the approval of Assembly leadership, which is also heavily involved in Suspense File decisions.

VCE staff, the LRTG and PPG are currently examining the following bills and expect to evaluate more bills as they are identified as of interest to VCE and CCAs.

1. AB 2368 (Petrie-Norris) Reliability

Summary: Existing law requires the Independent System Operator to ensure the efficient use and reliable operation of the transmission grid, as provided. This bill would authorize the PUC, in coordination with the Independent System Operator, to establish resource adequacy requirements that is sufficient to maintain a one-day-in-10-year loss of load expectation. The bill also directs the CAISO to evaluate outages for insufficient generation procurement and report the findings and procurement recommendations to the PUC, CEC, and Legislature.

Additional Information

- Next Hearing: The bill will be heard in Senate Energy, Utilities & Communications Committee.
- VCE has yet to take an official position.
- Bill language: [AB 2368](#)

2. AB 1999 (Irwin) Income Graduated Fix Charge (IGFC)

Summary: Current law requires the CPUC, no later than July 1, 2024, to authorize a fixed charge for default residential rates that are to be established on an income-graduated basis, with no fewer than 3 income thresholds, so that low-income ratepayers in each baseline territory would realize a lower average monthly bill without making any changes in usage. This bill would repeal the provisions described in the preceding sentence and would instead permit the commission to authorize fixed charges that, as of January 1, 2015, do not exceed \$5 per residential customer account per month for low-income customers enrolled in the California Alternate Rates for Energy (CARE) program and that do not exceed \$10 per residential customer account per month for customers not enrolled in the CARE program. The bill would authorize these maximum allowable fixed charges to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year, beginning January 1, 2016.

In 2021, the Legislature passed AB 205, a budget trailer bill that enacted a number of energy related policies including the California Arrearage Payment Program, a new site certification process at the CEC, creation of the Strategic Reliability Reserve, an authorization to extend several once-through cooling plants, and an authorization for the CPUC to adopt new fixed charges on an income-graduated scale. The outcry from the public has emerged regarding an income-graduated fix charge as the CPUC has been working through its proceeding, and state legislators have been hearing from their constituents. AB 1999 is in response to the uproar, but it's a challenging position for legislators as many, including the author and many of the coauthors, voted for AB 205 back in 2021. The impact of the proposed IGFC on residential customers is that it appears to impact medium and low-income customers at a higher rate than anticipated, thus having the potential to impose a significant financial and affordability burden.

The bill had been in the possession of the Assembly Utilities & Energy Committee but was then pulled back to the Rules Committee, which is a move by the Assembly leadership to sit on the bill. However, Assembly leadership allowed the author to amend the bill to impose a five-year sunset on the IGFC. The bill passed the Assembly U&E Committee but was then held by Assembly Appropriations and the bill is now dead. The PUC's announced proposed decision to align the IGFC with one SMUD imposes took the wind out of the sails with IGFC related bills.

Additional Information

- Next Hearing: The bill was held by the Assembly Appropriations Committee and is now dead.
- VCE Position: Watch
- Bill language: [AB 1999](#)

3. AB 2666 (Boerner) Public Utilities Rate of Return

Summary: Current law authorizes the Public Utilities Commission to fix the rates and charges for every public utility, including electrical and gas corporations, and requires those rates and charges to be just and reasonable. This bill would require the commission, following each general rate case test year, to review which costs, if any, each electrical corporation or gas corporation was able to reduce to achieve profits and to adjust the authorized revenue requirement in the attrition years or in the subsequent general rate case, as appropriate, based on the actual past costs the corporation records. The bill would require the commission to establish guidelines for electrical corporations and gas corporations to calculate and report annually their actual rates of return to the commission.

The original version of this bill required investor-owned utilities (IOUs) to return to ratepayers any revenue received by the IOUs above their authorized rate of return. The bill now requires the CPUC to evaluate how IOUs are achieving cost savings against their projected costs provided in a General Rate Case (GRC) and authorizes the CPUC to either reduce the rate of return in a subsequent GRC.

Additional Information

- Next Hearing: The bill will be heard Appropriations.
- VCE has yet to take an official position.
- Bill language: [AB 2666](#)

4. AB 817 (Pacheco) Brown Act Exemption for Subsidiary Bodies

Summary: This bill, until January 1, 2026, would authorize a subsidiary, defined as a legislative body that serves exclusively in an advisory capacity and is not authorized to take final action on legislation, regulations, contracts, licenses, permits, or any other entitlements, to meet remotely and be exempt from the Brown Act requirements for notice, agenda, and public participation. In order to use the exemption, the bill would require the legislative body that established the subsidiary body by charter, ordinance, resolution, or other formal action to authorize, majority vote, the subsidiary body to use remote meetings before for the first time and every 12 months thereafter.

Additional Information

- Next Hearing: The bill will be heard Senate Local Government
- VCE Position: Watch
- CalCCA Position: Support
- Bill Language: [AB 817](#)

5. SB 1305 (Stern) Virtual Power Plant Procurement Mandate

Summary: The bill would require the PUC to adopt virtual power plant (VPP) procurement targets applicable to the IOUs, which would beginning January 30, 2028 and each year thereafter, be required to file a report with the PUC on its progress toward complying with the virtual power plant procurement targets.

CalCCA had some initial conversations with the author's office and the sponsor, OhmConnect, to discuss the potential for amendments to remove the procurement mandate that had applied to CCAs. The amended version of the bill no longer applies to CCAs but remained one to watch until the author decided to not proceed with the bill being heard in the Senate Energy, Utilities & Communications Committee. The bill is now dead for the session.

Additional Information

- Next Hearing: The bill was pulled by the author from the Senate Energy, Utilities & Communications Committee and is now dead.
- VCE did not take an official position
- Bill language: [SB 1305](#)

6. SB 1508 (Stern) Storage Mandate

Summary: Existing law requires the CPUC to adopt a process for each load-serving entity to file an integrated resource plan and a schedule for periodic updates to the plan and to ensure that load-serving entities, among other things, ensure system and local reliability on a near-term, mid-term, and long-term basis and maintain a diverse portfolio of energy resources. This bill would require the commission to ensure that diverse energy storage duration classes are modeled and that energy storage technology that meets an energy storage class's minimum duration requirement is modeled within that class to ensure technology neutrality.

This bill was heavily amended coming out of the Senate Energy, Utilities, & Communications Committee as the original bill that went before the committee included a procurement

mandate for long duration energy storage and multiday energy storage systems. The procurement mandate caused some concern but now that the mandate provision has been removed the bill is of less consequence.

Additional Information

- Next Hearing: The bill will be heard Appropriations.
- VCE has yet to take an official position.
- Bill language: [SB 1508](#)