

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report - Item 16

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**TO:** VCE Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Mark Fenstermaker, Pacific Policy Group

**SUBJECT:** Recommendation to the Board on legislative positions

**DATE:** March 12, 2020

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#### **Recommendation**

1. Support SB 947.
2. Support AB 2689.
3. Support AB 3014.
4. Support SB 917 in concept.

#### **Background and Analysis**

Due to the PG&E bankruptcy and related wildfire issues, many energy related Bills have been introduced in the current legislative session. Staff is recommending support for three Bills and support in concept for a fourth. Each are summarized below with links to the current Bill language.

As the Board is aware, VCE participates in the legislative process with other CCA's through CalCCA. CalCCA has screened over twenty bills in the early stages of the legislative session that it is closely monitoring. The reason so many bills are in the monitoring stage is that that most bills have just recently been introduced and have yet to be sufficiently developed for CalCCA to analyze and recommend a position to the board.

In the summaries below, staff notes CalCCA's position on the Bills being considered by VCE.

#### **1. SB 947 (Dodd). Financial performance-based incentives and performance-based metrics for electrical corporations.**

Summary: Would require the Public Utilities Commission to evaluate financial performance-based incentives and performance-based metric tracking to identify mechanisms that may serve to better align electrical corporation operations, expenditures, and investments with public benefit goals, including safety, reliability, cost efficiency, and other state energy policies the commission believes may benefit from performance-based ratemaking. The bill would require the commission to report the results of the evaluation to the relevant policy and fiscal committees of the Legislature, as specified, by January 1, 2022.

Staff is recommending support for this Bill so that better information is available to evaluate the performance of the State's IOU's. This is consistent with Board direction related to potential acquisition of PG&E's local distribution assets.

Additional information

- CalCCA has not taken a position on this Bill.
- Next hearing: 3/17/2020 9 a.m. - Room 3191 SENATE ENERGY, UTILITIES AND COMMUNICATIONS
- Bill language: [SB 947](#)

**2. SB 2689 (Kalra) Community choice aggregators.**

Summary: Current law authorizes a community choice aggregator to aggregate the electrical load of electricity consumers within its boundaries and provides that the community choice aggregator is solely responsible for all generation procurement activities on behalf of the community choice aggregator's customers, except where other generation procurement arrangements are expressly authorized by statute. This bill would make non-substantive changes to the definition of "community choice aggregator".

Staff is recommending that VCE support this Bill as it is a placeholder for legislation that would require transparency of IOU contracts that contribute to the PCIA. Currently it is very difficult to access data that underpins calculation of the PCIA.

Additional information

- CalCCA is co-sponsoring this Bill with San Jose Clean Energy/City of San Jose.
- Next hearing: May be heard in committee March 22.
- Bill language: [AB 2689](#)

**3. AB 4013 (Muratsuchi) Electricity: centralized procurement**

Summary: Current law provides for the establishment of a Power Exchange as a nonprofit public benefit corporation. Current law requires the Power Exchange to provide an efficient competitive auction, open on a nondiscriminatory basis to all electricity suppliers, that meets the loads of all exchange customers at efficient prices. This bill would state the intent of the Legislature to establish a residual resource adequacy centralized procurement structure in California to help ensure the reliability of the state's electrical system.

The Bill would establish a Governor-appointed board to oversee the formation and operation of the Central Reliability Authority, a nonprofit public benefit corporation. The bill would establish a three-year forward collective resource adequacy requirement for local, system, and flexible capacity, at specified levels, in the service territories of the investor-owned utilities commencing with the 2022 resource adequacy compliance year. While the resource adequacy requirements for the IOU service

territories would continue to be determined by the California Public Utilities Commission (CPUC), in coordination with the CRA, the California Energy Commission (CEC), and the CAISO, the CRA would oversee compliance with those requirements. Individual LSEs would continue to have the right to procure RA capacity to serve their load, or they could elect to have the CRA procure the capacity on their behalf. The CRA would ensure that the collective local, system and flexible resource adequacy requirements for IOU service territories are met through a combination of individual LSE self-procurement and, as needed, procurement by the CRA. The CRA would procure needed RA capacity through a competitive solicitation process. The solicitation process would be structured and overseen by the CPUC, and the CRA would consult with the CPUC regarding its proposed capacity selection before entering into procurement contracts.

Staff recommends support of the legislation because the Central Reliability Authority established under AB 3014 would reduce the need for costly CAISO backstop procurement, preserve VCE's self-procurement autonomy, and play a meaningful role in ensuring the reliability of California's electric system.

#### Additional information

- CalCCA is sponsoring this Bill.
- Next hearing: May be heard in committee March 23.
- Bill language: [AB 3014](#)

#### **4. SB 917 (Wiener) California Consumer Energy and Conservation Financing Authority: eminent domain: Northern California Energy Utility District: Northern California Energy Utility Services.**

Summary: Would rename the authority the California Consumer Energy and Conservation Financing Authority and would repeal the prohibition upon the authority approving any new program, enterprise, or project, on or after January 1, 2007. The bill would authorize the authority to acquire, by eminent domain, the assets or ownership of an electrical corporation, gas corporation, or public utility that is both an electrical and gas corporation, including any franchise rights, if that corporation has been convicted of one or more felony criminal violations of laws enacted to protect the public safety within 10 years of the date the eminent domain action is commenced. The bill would authorize a local publicly owned energy utility, as defined, to elect to join in the eminent domain action brought by the authority and acquire that portion of the electrical or gas system necessary to provide service within its borders if the local publicly owned energy utility contributes its proportionate share of the compensation paid for the assets or ownership of the public utility.

Senator Wiener is proposing a public takeover of PG&E, but this is not the co-op proposal that San Jose Mayor Liccardo has been advocating for and that many local elected officials have endorsed. Sen. Wiener is proposing a public-private partnership similar to the Long Island Power Authority model.

The bill would authorize the California Consumer Energy and Conservation Financing Authority to acquire by eminent domain a public utility convicted of a felony within 10 years of the eminent domain proceeding commencing. Local publicly owned energy utilities can join the eminent domain action and acquire the portion of the electric/gas system needed to provide service within its borders; the publicly

owned utility must contribute its proportionate share of the costs of acquiring the system.

The bill would also create the Northern California Energy Utility District, similar in function and power to a municipal utility, and create the Northern California Energy Utility Service, a private public benefit corporation. The district would house the senior management and government/community relations positions to oversee the service, which would house the operating employees.

Other highlights from the bill:

- All labor agreements protected
- 5 year transition to POU structure
- All PGE assets not just electric
- Local jurisdictions who already have expressed POU interest can spin off from the bigger entity within one year.
- Future POU efforts to be evaluated on case by case basis.
- PUC will have no authority over rate setting
- CCAs take over primary procurement authority
- CCAs have right of first refusal for Provider of Last Resort (POLR)

Staff is recommending support in concept for this Bill as it is generally consistent with Board direction to pursue acquisition of PG&E's local distribution assets.

#### Additional information

- CalCCA has not taken a position on this Bill.
- Next hearing: No dates set. Referred to Coms. on Energy, Utilities & Communications; GOV. & Finance; and Judiciary.
- Bill language: [SB 917](#)