

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 6**

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To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update – Pacific Policy Group

Date: September 12, 2024

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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 of recent activity.

Each year the Legislature concludes its business with a flurry of activity, maneuvering, and deal making that can make one’s head spin. This year’s end of the legislative session was more likely to make one’s head explode. A number of late-breaking gut-and-amend bills were considered, and passed, so late in the evening of August 31<sup>st</sup> that Assembly Democrats, with their comfortable supermajority, altered the rules in the final hour of the day to limit debate to just 30 seconds per side. The second year of each two-year session must cease considering bills once the clock strikes midnight on August 31<sup>st</sup>, and a number of bills were not passed simply because they ran out of time for a vote. Although Governor Newsom called for a special session to consider a proposed bill requiring oil refineries to keep additional supply in reserve, the Senate declined to approve the special session, adding to the chaos on the final night. Advocates left the Capitol in the early hours of September 1 wondering what exactly just happened.

Rumors had been plentiful over the past month for a package of energy bills to emerge with a goal of reducing rates. In the end, only one piece of legislation pertaining to energy policy passed the Legislature. Assembly Utilities & Energy Committee Chair Cottie Petrie-Norris put AB 3121 and AB 3264 into print on August 28, the final day to amend bills in order to comply with the rule that bills must be in final form 72 hours before a floor vote. But, she ended up only moving ahead with AB 3264.

AB 3121 sought to revert unspent funds from several demand-side programs (the School Energy Efficiency Stimulus Program, the Self-Generation Incentive Program, and the Solar on Multifamily Affordable-Housing Program) as a bill credit to ratepayers. The proposal would have resulted in a one-time credit worth about \$30 at the cost of ending programs that help promote equity. The proposal was met with opposition from environmental and energy groups and ultimately the author did not present the bill in a Senate Energy, Utilities, & Communications hearing that took place on the second-to-last day of the session.

AB 3264 proposes a more deliberate approach by requiring the CPUC, in consultation with the CEC, to develop a framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California, by December 31, 2026. The bill also broadens a triennial report required of the CPUC on energy efficiency and conservation programs to also include all demand-side management programs it oversees or that are paid for by ratepayers of CCAs, electric IOUs, or gas IOUs. The latter provision drew concern from CCAs and CalCCA who immediately engaged the author to ensure that a CCA's self-funded program could not be changed by the CPUC or the Legislature and usurp the CCA's rate-making authority. The author stated in the Senate Energy committee hearing that she would be working with Load Serving Entities, (including IOUs and CCAs) on how to aggregate and report on the information required by the bill. Ultimately, CalCCA and individual CCAs, including VCE, decided to not to take a position on AB 3264 but instead continue to work with the author over the Fall.

VCE staff, the LRTG and PPG examined the following bills throughout the Legislative session.

### **1. AB 3264 (Petrie-Norris) Demand-Side Management Program**

Summary: Would require the Public Utilities Commission (PUC), in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to develop a framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California, as specified. The bill would authorize the PUC to use the framework for purposes of evaluating any request by an electrical corporation and gas corporation to track new spending eligible for recovery or to adjust a revenue requirement. The bill would require the PUC to submit a report to the Legislature containing the framework and certain information. The bill would require large electrical corporations, as defined, and large gas corporations, as defined, by January 1, 2026, and each year thereafter, to publish on their internet websites and provide to the PUC a visual representation of certain cost categories included in residential electric or gas rates for the succeeding calendar year.

#### Additional Information

- Next Hearing: The bill passed the Legislature and is awaiting Governor Newsom's signature or veto.
- VCE Position: Watch
- Bill language: [AB 3264](#)

### **2. AB 3121 (Petrie-Norris) Public utilities: incentive programs**

Summary: Current law establishes the Multifamily Affordable Housing Solar Roofs Program. Current law requires the Public Utilities Commission (PUC), as part of the program, to authorize the award of monetary incentives for qualifying solar energy systems, as defined, that are installed on multifamily residential properties of at least 5 rental housing units that are operated to provide deed-restricted low-income residential housing, as defined, and that meet one or more specified requirements, as provided. Current law requires the PUC to annually authorize the allocation of \$100,000,000 or 66.67% of available funds, whichever is less, beginning with the fiscal year commencing July 1, 2016, and ending with the fiscal year ending June 30, 2020, to the program from certain greenhouse gas allowance revenues received by electrical corporations and set aside for clean energy and energy efficiency projects, as

provided. Current law requires the PUC to continue authorizing the allocation of these funds through June 30, 2026, if the PUC determines that revenues are available after 2020 and that there is adequate interest and participation in the program. Current law requires the PUC to evaluate the program every 3 years and requires the PUC to make necessary adjustments to the program to ensure that the goals of the program are being met, as specified. Current law authorizes the PUC to credit uncommitted funds back to ratepayers if the PUC, upon review, finds that there is insufficient participation in the program. This bill would require the PUC to credit no more than 1/2 of the program funds that are unencumbered as of January 1, 2025, back to the residential retail customers of electrical corporations, as specified.

#### Additional Information

- Next Hearing: The bill failed to pass the Legislature and is dead.
- VCE Position: Watch
- Bill language: [AB 3121](#)

### **3. 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 passed the Legislature and is awaiting Governor Newsom's signature or veto.
- VCE Position: Watch.
- Bill language: [AB 2368](#)

### **4. 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](#)

### **5. 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, 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 next in Senate Appropriations.
- VCE Position: Watch
- Bill language: [AB 2666](#)

### **6. 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 was held in Senate Local Government and is dead.
- VCE Position: Watch
- CalCCA Position: Support
- Bill Language: [AB 817](#)

### **7. 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 Position: Watch
- Bill language: [SB 1305](#)

### **8. 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 Position: Watch
- Bill language: [SB 1508](#)