

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

To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update – Pacific Policy Group

Date: July 11, 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:

June, and a few days of July, will be viewed as the impact month for the 2024 legislative session. Between policy committees weighing in on hundreds, if not thousands, of bills, the Governor and Legislature coming to terms on a two-year budget plan to address the state’s massive deficit, and the Legislature finally settling on a climate bond, the previous five weeks will effect Californians for many years to come.

Proposition 68 of 2018 was the last general obligation bond with natural resources and water funding to pass in California. Californians will now have the chance to decide on a \$10 billion climate bond come November in the form of Proposition 4. As the Legislature sought to wrap up its business before heading out on summer recess they took up and passed SB 867. The bond proposal maintained some funding for clean energy purposes, but the title of the chapter shifted to “Clean Air” as voters will likely look more favorably on that moniker. There is \$850 million in the “Clean Air” chapter that includes \$325 million for public financing of clean energy transmission projects as well as \$475 million to upgrade ports to facilitate offshore wind development. The bond importantly includes language that forbids any project funded by the bond to have a return on equity or be included in any ratebase.

The budget process concluded on schedule with the Legislature and Governor reaching agreement on funding cut and deferrals as well as borrowing from the rainy-day fund to close the state’s \$45 billion deficit for FY 2024-25, and the projected \$28 billion deficit for FY 2025-26. Of note in the energy space, the Legislature had proposed to cut \$400 million from this year’s budget proposal for the Diablo Canyon loan, but ultimately the Governor won out on this item and the funding was included in the budget, but not without the Legislature imposing stricter oversight and reporting requirements on the funding through a budget trailer bill. The budget process is not entirely wrapped up, however, as there is anticipation of an energy trailer bill emerging in August, which is the final month of the 2024 legislative session. More on that below.

Proposed energy legislation that impacts CCAs has been a bit lighter this session and through the committee process the most relevant bills to VCE are those that seek to bring more transparency to the General Rate Case (GRC) and Investor-Owned Utility (IOUs) ratemaking process. Several bills are focused on audits of balancing accounts, examining the IOUs' projected costs of capital, and the proposed costs in GRCs versus the realized costs once implemented. Another policy topic that has emerged under the principle of reducing rates is an examination of the Public Purpose Program (PPP), which funds programs such as the Self Generation Incentive Program (SGIP), California Alternate Rates for Energy (CARE), and Energy Efficiency (EE). Assembly Utilities & Energy Chair Cottie Petrie Norris amended AB 3264 with intent language that would require the Energy Commission, in consultation with the CPUC, to review the allocation of costs to ratepayers, which could include the PPP and EE program. It was understood through conversations with Asm. Petrie-Norris that she was considering a potential sunset on the EE program without legislative action to extend it. Instead, Asm. Petrie-Norris pulled AB 3264, the bill is now dead, as there are indications that this proposal may be picked up in an energy trailer bill.

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 Appropriations 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, 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 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 was held in Senate Local Government and is dead.
- 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](#)