

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 7**

To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update – Pacific Policy Group

Date: May 12, 2022

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

Climate change is challenging the old adage that April showers bring May flowers, as there was little rain during the month and flowers seem to bloom earlier and earlier each year as temperatures warm. But the saying is seemingly holding true for the state's budget process as reporting on tax revenue collected during April is likely to blossom into a \$60 billion plus surplus. Governor Newsom had initially proposed allocations for a \$20 billion surplus, how he and his Administration plan to spend these additional revenues will become clearer when he releases his May Revision to the budget in the middle of the month. The Senate is not waiting for the May Revision, however, as Senate Pro Tem Atkins released a proposal of its own, dubbed "Putting California's Wealth to Work." The proposal includes \$18 billion to address climate change, mostly focused on funding for drought response and wildfire mitigation. The Legislature is required to propose its budget by June 15, and the Governor is to adopt a final budget by June 30 to direct the new fiscal year starting July 1. Despite these obligations, the Legislature and Governor negotiated the FY 21-22 budget until the end of session and a similar process is anticipated this year. The Legislature and Governor will put a FY-22-23 budget in place by June 30 but continue to negotiate billions of dollars well past the deadline and then amend the budget in subsequent budget bills.

While the budget steps into the spotlight in May, activity on legislation will continue in high gear during the month. Bills must pass the Appropriations committee by May 20, a step in the process that usually brings the first culling of legislation. It's a quick turnaround from there as bills must pass the Floor of the house in which the bill originated by May 27. Legislative priorities will have more of a focus by the time May turns to June. One priority that has emerged in the Senate is the electricity sector. Senator John Laird (Santa Cruz) is the lead author of SB 1020, along with Senate Pro Tem Atkins and more than 10 other Senate authors and co-authors, the bill was announced as a collective effort by the Senate's climate working group.

SB 1020 proposes several significant policies: 1. codifying interim carbon-free electricity targets for load-serving entities of 90% by 2035 and 95% by 2040, 2. electricity procured to serve state agencies shall be 100% carbon free by 2030, and 3. creation of a new Climate and Equity Trust to be administered by the California Affordable Decarbonization Authority (Authority). The newly created Trust would be eligible to receive funds from multiple sources, including the state's General Fund, the Greenhouse Gas Reduction Fund, CPUC, CEC, or CARB assessed penalties, and federal funding. The newly created Authority would distribute funding pursuant to Authority created plans approved by the CPUC to IOUs, CCAs, and end-use customers of retail sellers (a similar construct is proposed for funding to POUs with oversight provided by the CEC). Funding can be used to provide direct credits on ratepayer bills, direct rebates or incentives, or reimbursement of eligible costs. Eligible costs would cover those activities currently funded by rates, including but not limited to, transportation electrification programs and incentives, building electrification, energy efficiency, wildfire mitigation activities, distributed energy resource incentives, and more. The Assembly and the Governor will surely have input on this proposal as it moves forward.

VCE's current legislative efforts have concentrated on the following bills:

1. AB 1814 (Grayson) Transportation Electrification Funds: Community Choice Aggregators

Summary: AB 1814 would authorize Community Choice Aggregators (CCAs) to submit applications to the California Public Utilities Commission (CPUC) to receive funding to administer transportation electrification programs in their service areas.

Specifically, this bill would explicitly authorize CCAs to file applications for programs and investments to accelerate widespread transportation electrification. In order to submit these applications, CCAs would be regulated to meet all of the same requirements that IOUs are currently required to meet.

This is CalCCA's sponsored bill for the 2022 legislative session. The bill is consistent with the VCE Legislative Platform, specifically Provision 10 regarding Local Economic Development and Environmental Objectives.

Facing opposition from the California Coalition of Utility Employees and all three investor-owned utilities, the author pulled the bill before its scheduled hearing in Assembly Utilities & Energy and was never rescheduled. AB 1814 is now dead for the 2022 session

Additional Information:

- This bill is sponsored by CalCCA
- VCE has submitted a support position
- Next Hearing: None
- Bill language: [AB 1814](#)

2. 1287 (Bradford) CCA and ESP Financial Security Requirements

Summary: This bill would require the posted bond amount, or demonstrated insurance amount, at the time of registration by an electric service provider or a community choice aggregator to be no less than \$500,000. The bill would also require the commission to update the financial security requirements for electric service providers and community choice aggregators to instead include costs for no less than 12 months of incremental procurement incurred by the provider of last resort, upon the customers' involuntary return.

Specifically, the bill will:

- 1) Amend current law that requires a CCA or ESP to post a bond or demonstrate insurance sufficient to cover the reentry fees of customers who are involuntarily returned to an investor-owned utility to instead require a minimum bond or insurance in the amount of \$500,000.
- 2) In calculating the insurance or bonding requirement, the PUC shall include costs for no less than 12 months of incremental procurement incurred by the provider of last resort.

SB 1287 will significantly increase the amount of insurance that VCE will need to hold to cover the unlikely event that VCE folds and its customers are involuntarily returned to PG&E. The \$500,000 minimum figure and the requirement that the insurance amount include incremental procurement made by the IOU does not factor in already contracted energy for VCE's customers. In addition, calculating the incremental procurement will be incredibly complex and challenging and will contribute to additional unnecessary cost to VCE, similar to PCIA. Lastly, this requirement will create another obstacle for communities who wish to go CCA and will all but kill any new CCAs from forming.

The bill was referred to the Senate Energy, Utilities & Communications Committee but was never heard by the committee. Accordingly, SB 1287 is dead for the remainder of the 2022 legislative session.

Additional Information

- Next hearing: None.
- The VCE Board approved an "oppose" position and staff is working on letter to register this position with the committee.
- Bill language: [SB 1287](#)

3. SB 881 (Min) Integrated Resource Plans

Summary: Requires load-serving entities to procure, in combination with other LSEs, to achieve a diverse, balanced, and reliable portfolio that realizes the GHG emission reductions set by the CA Air Resources Board's scoping plan process. This procurement is to be planned out through the IRP, meaning that each LSE is to make procurement decisions based on the IRP approved by the CPUC. The bill authorizes the CPUC to assess penalties or require additional procurement of an LSE who fails to meet its procurement obligations in its IRP. The additional procurement may be undertaken by an IOU with costs associated to the deficient LSE.

SB 881 poses a number of challenges for VCE and other CCAs in that it transforms the IRP from a process of envisioning what may be possible to a plan that must be followed. Moreover, the plan that is to be followed is to achieve an undefined GHG emission reduction goal on an undefined timetable. Lastly, the providing the CPUC with authorization to order procurement be undertaken by VCE or procurement undertaken by PG&E to be paid by VCE customers cuts against one of the foundational tenets of CCAs, procurement autonomy.

CalCCA has engaged in a series of negotiations with the author and his staff, as well as the sponsor of the bill (Union of Concerned Scientists) to no avail. CalCCA has provided amendments that would satisfy CCA concerns but those proposed amendments have been rejected.

CalCCA took an oppose unless amended position, as did VCE and other CCAs, when the bill was heard in Senate Energy, Utilities, & Commerce Committee. Many committee members, including Senator Dodd, voiced their concerns with the bill and while they voted to allow it to pass the committee did comment that they may not vote for the bill again when it is presented on the Senate Floor.

Opposing SB 881 is consistent with Provision 1a of the VCE Legislative Platform to oppose legislation that limits local the local decision-making authority of CCAs.

Additional Information

- Next Hearing: The bill has been referred to the Senate Appropriations Committee and is awaiting a hearing.
- VCE has taken an Oppose Unless Amended position consistent with CalCCA's position
- Bill language: [SB 881](#)