

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: June 9, 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:

Well, that was fun. What a month! Governor Newsom's May Revision produced a budget containing a \$49 billion budget surplus with an \$8 billion proposal for energy reliability programs. The Legislature cleared two significant deadlines with first house Appropriations and Floor votes taking place with a significant win for CCAs in the form of SB 881 (Min) dying in Appropriations. Yet, those stories pale in comparison to the drama that unfolded at the end of the month surrounding a seemingly hostile move by Assemblymember Robert Rivas (Hollister) to be the next Speaker of the Assembly.

On the Friday going into the Memorial Day weekend, Rivas publicly stated he has the votes to assume the speakership and oust current Assembly Speaker Anthony Rendon (Lakewood). Three days and a six-hour caucus meeting later and Rendon acknowledged that Rivas does indeed have the votes, but Rendon remains Speaker. No vote was taken to officially recognize Rivas as the new Speaker and no official transition details have been announced. All that can be said is that Rendon will remain Speaker through the end of the session and then a vote will occur in December, but if Rivas will have votes in December is uncertain as at least 15 new assemblymembers will be seated before then.

Enough of the palace intrigue. As mentioned above, Governor Newsom unveiled his May Revision to the 2022-23 budget and one of the biggest proposals is to allocate more than \$8 billion to increase electricity reliability. The California Energy Commission (CEC) has identified a 1700MW shortfall in procurement based on its previous projections compared to actual load for the summer of 2022. Compounding this shortfall are supply chain delays and a Department of Commerce investigation into solar panels potentially originating in China but being imported from countries in Southeast Asia to avoid tariffs. In addition, the California Public Utilities Commission and CEC are warning what may happen if the West experiences another heat dome or wildfires take out key transmission lines, as has happened in recent summers. Adding all of these factors together and there is a projected shortfall of 5000-6000MWs. The bulk of the

proposal would appropriate over \$4 billion to DWR to procure additional resources for use in emergencies. The majority of those resources would be fossil-based generators as well as the potential to extend once-through cooling powerplants and even the nuclear energy Diablo Canyon Power Plant. Another component of this package is a proposal to eliminate the \$10 cap on fixed charges, which would provide the CPUC with the ability to move a number of rate-based programs out of volumetric rates and into a fixed charge basis. While the Legislature is required to pass a budget by June 15, it is anticipated that the electricity package will be decided later in the session.

Lastly, as to legislation, two efforts that VCE is engaging went in different directions. SB 881 (Min) a bill opposed by VCE, CalCCA, and many other CCAs was held by the Senate Appropriations Committee on what is known as the Suspense File. Bills held on Suspense are dead for the remainder of the session and CCAs should be happy with this outcome. Despite multiple attempts to work out amendments on SB 881, the author and sponsor were unwilling to negotiate. Thus, having the bill held on Suspense was the best outcome. Conversely, SB 1020 (Laird & Atkins) easily passed the Senate, which comes as no surprise as Senate leadership has publicly stated the bill is a priority for the caucus. Staff continues to deliberate the merits of the bill and the potential to take a position.

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

1. 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 was held in Senate Appropriations and is now dead.
- VCE has taken an Oppose Unless Amended position consistent with CalCCA's position
- Bill language: [SB 881](#)

2. SB 1020 (Laird & Atkins) Clean Energy, Jobs, and Affordability Act of 2022

Summary: SB 1020 would require load-serving entities to procure a minimum of carbon-free energy resources to reach goals of 90% carbon-free by 2035 and 95% by 2040. In addition, all state agencies shall be served by 100% carbon free energy by 2030.

SB 1020 also proposes to create 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.

SB 1020 will push California to decarbonize the electricity sector faster than currently required by statute under SB 100. Further, it requires the state to lead by fully decarbonizing its energy use by 2030. Most importantly, SB 1020 has the potential to use tax dollars and other funding besides rate funding to pay for decarbonization efforts that are currently funded by electric rates. There are questions regarding how SB 1020 will be implemented and work in practice and the bill is sure to be amended going forward, but the intent is worthy.

This bill has been deemed a priority by Senate leadership and is a product of the Senate's Climate Working Group.

SB 1020 relates to Provision 10 of the VCE Legislative Platform relating to supporting legislation that enhances opportunities for CCAs to promote Local Economic Development and

Environment Objectives as well as Provision 8a regarding renewable energy generation resources.

Additional Information

- Next Hearing: The bill passed the Senate and is awaiting referral to the Assembly Utilities & Energy Committee
- VCE has not taken position. CalCCA has not taken a position. Other CCAs have taken a Support if Amended position.
- Bill language: [SB 1020](#)

3. 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](#)

4. 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](#)