

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report - Item 9

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**TO:** VCE Board of Directors

**FROM:** Mitch Sears, Interim General Manager

**SUBJECT:** Recommendation to the Board on AB 1567, SB 378, and SB 804 and SB 917

**DATE:** February 13, 2020

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#### **Recommendation:**

1. Support AB 1567.
2. Support SB 378 as amended.
3. Support SB 804 as amended.
4. Support SB 917 in concept.

#### **Background and Analysis**

On February 5, 2020, the Community Advisory Committee (CAC) received, reviewed and took action in a special meeting supporting the staff recommendations of support positions on the following three (3) bills:

##### **1. AB 1567 (Aguiar-Curry). Organic waste: scoping plan.**

**Summary:** Would, on or before December 31, 2021, require the Strategic Growth Council, in consultation with stakeholders and relevant permitting agencies, to prepare and submit to the Legislature a report that provides a scoping plan for the state to meet its organic waste, climate change, and air quality mandates, goals, and targets and would require the scoping plan to include, among other things, recommendations on policy and funding support for the beneficial reuse of organic waste.

This bill proposes that the Strategic growth Council, with input from other departments and agencies, create a scoping plan for the state to meet its organic waste, climate change, and air quality goals, mandates, etc. This scoping plan could include innovative strategies for energy generation from organic waste in Yolo County.

Consistent with adopted Board policy relating to time sensitive legislative issues, VCE staff worked with the VCE Board subcommittee to submit a letter supporting AB1567 on January 13, 2020 for the bill's hearing in the Assembly Natural Resources Committee (ANRC). The ANRC, Assembly Appropriations Committee and Assembly Floor unanimously passed this bill.

Staff and the CAC recommend ratification of VCE's support for this legislation.

**2. SB 378 (Wiener) Electrical corporations: deenergization events: procedures: allocation of costs: reports.**

Summary: Would require each electrical corporation to annually submit a report to the wildfire Safety Division and, after June 30, 3021, to the Office of Energy Infrastructure Safety, that includes the age, useful life, and condition of the electrical corporation's equipment, inspection dates, and maintenance records for its equipment, investments to maintain and improve the operation of its transmission and distribution facilities, and an assessment of the current and future fire and safety risk posed by the equipment.

Senator Wiener introduced language proposing stricter oversight and penalties regarding PSPS and then amended the bill in January 2020. The amended bill proposes to require greater information sharing by IOU's with state and local government regarding IOU infrastructure and investments made in the infrastructure; a code of conduct regarding IOU marketing against POU formation/expansion; a code of conduct regarding IOU marketing against microgrids and distributed energy generation; and additional damages due to a PSPS; and a \$500,000 per hour per 50,000 customer penalty for an IOU implementing a PSPS.

Consistent with adopted Board policy relating to time sensitive legislative issues, VCE staff worked with the VCE Board subcommittee to submit a letter supporting AB1567 on January 13, 2020 for the bill's hearing in the Senate Energy Committee. Committee amendments removed the two code of conduct provisions, reduced the penalty amount to \$250,000 per hour per 50,000 customers and requires a finding by the PUC that the IOU failed to act reasonably and prudently in implement the PSPS. The bill has since passed the Senate Appropriations Committee and passed the Senate Floor on a bipartisan vote.

Staff and the CAC recommend ratification of VCE's support for this legislation.

**3. SB 804 (Wiener) Public capital facilities: electric utilities: rate reduction bonds.**

Summary: The Marks-Roos Local Bond Pooling Act of 1985 authorizes certain joint powers authorities, upon application by a local agency that owns and operates a publicly owned utility, defined to mean certain utilities furnishing water or wastewater service to not less than 25,000 retail customers, to issue rate reduction bonds to finance utility projects, as defined, subject to certain requirements. Under the act, these rate reduction bonds are secured by a pledge of utility project property, and the joint powers authority issuing the bonds may impose on, and collect from, customers of the publicly owned utility a utility project charge to finance the bonds, as provided. The act requires the California Pollution Control Financing Authority, among other things, to review each issuance of rate reduction bonds issued under these provisions. This bill would expand the definition of a publicly owned utility for these purposes to include certain utilities furnishing generation transmission, or distribution electrical service to retail customers and would authorize an authority to issue rate reduction bonds to finance or refinance utility projects for the provision of generation, transmission, or distribution electrical service.

SB 804 is a bill produced by SF PUC to provide an additional financing tool to the formation of municipal utilities. This proposed legislation would extend the existing authority to use rate reduction bonds to local power agencies throughout California.

Existing law allows local public agencies to issue rate reduction bonds to finance various water and wastewater infrastructure projects. Investor-owned electric utilities (IOUs), including PG&E, are also able to take advantage of this financing structure, but this mechanism is not available to public electric utilities. Rate reduction bonds are asset-backed securities that save ratepayers significant dollars when local agencies finance infrastructure through this mechanism in two ways.

- 1) securitization allows these agencies to qualify bonds for more favorable credit ratings. If a bond receives a favorable AAA rating, instead of a lower rating, the local agency can borrow funds at an interest rate that is well below the rate that would otherwise apply to the agency's long-term debt, substantially reducing borrowing and benefiting ratepayers.
- 2) Securitization enables publicly-owned utilities to reduce debt.

Staff and the CAC recommend that the Board support this legislation as consistent with VCE's adopted principles on establishment of public power options that deliver cost competitive energy to customers.

#### **Staff's Summary**

The following legislative bill is new and has not been vetted by the CAC; although, it has been discussed by the CAC Legislative/Regulatory Task Group. Staff provides a summary and recommendation below:

#### **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)

The CAC has not made a recommendation on this bill. Staff is recommending that the Board support this legislation in concept. Due to its complexity and recent introduction, staff is in the process of studying the details of the proposed legislation.