

VALLEY CLEAN ENERGY ALLIANCE**Staff Report - Item 9**

TO: Community Advisory Committee

FROM: Mitch Sears, Executive Officer
Mark Fenstermaker, Pacific Policy Group

SUBJECT: Staff Summary on AB 2696, SB 1174, AB 2937, and SB 881

DATE: March 24, 2022

Recommendation

Consider and provide feedback on potential:

1. Support of AB 2696 (E. Garcia)
2. Support of SB 1174 (Hertzberg)
3. Oppose AB 2937 (Calderon)
4. Watch SB 881 (Min)

Background and Analysis

Staff has prepared this report to provide the Community Advisory Committee (CAC) a summary of the following legislative bills that staff is currently assessing for a potential VCE position:

AB 2696 (E. Garcia). Transmission Planning

Summary: This bill would require the Energy Commission, in consultation with the California Infrastructure and Economic Development Bank, the Governor's Office of Business and Economic Development, the Independent System Operator, and the Public Utilities Commission (PUC), to conduct a study to review potential lower cost ownership, including public ownership, and alternative financing mechanisms, including public financing, for new transmission facilities needed to meet the state's clean energy and climate targets.

In addition, the bill would authorize the CPUC to direct IOUs to file an application for a Certificate of Public Convenience for any transmission facility/project that has been identified in the CAISO's transmission planning process, rather than leaving that decision to the discretion of the IOU.

This bill is consistent with the VCE Legislative Platform, specifically provision 2 regarding legislation to restructure the electric utility sector.

CalCCA and other CCA positions are unknown at this time.

SB 1174 (Hertzberg). Clean Energy Transmission

Summary: This bill would require the Public Utilities Commission(PUC) to waive any otherwise applicable penalty for noncompliance with the resource adequacy requirements if it finds that certain conditions have been met, including that the electrical corporation, electric service provider, or community choice aggregator has contracted for adequate resources to meet its resource adequacy

requirements and that the contracted-for resources would otherwise be supplied, but for delays in the completion of a third-party transmission owner's deliverability network upgrades.

This bill is consistent with the VCE Legislative Platform, specifically provision 8(a) to support legislation that expands opportunities or reduces barriers to develop renewable energy resources including as well as generally to provision 3 regarding resource adequacy.

~~The bill is being co-sponsored by Marin Community Choice Energy, Pioneer Community Choice Energy, and Central Coast Community Energy.~~

CalCCA and other CCA positions are unknown at this time.

AB 2937 (Calderon). Climate Adaptation Expenditures

Summary: This bill would authorize IOUs to apply to the Public Utilities Commission for a financing order to authorize the recovery of costs and expenses related to IOUs' wildfire mitigation plans, including operational and maintenance expenses associated with wildfire mitigation, and for costs and expenses related to climate adaptation expenditures, defined as expenditures that benefit greenhouse gas emission reduction efforts, utility system preparedness and adaptation efforts, and climate resiliency efforts.

The concern with this bill is the vague language that IOUs could recover through rates the costs for climate adaptation expenditures and the continued increase of rates.

This bill relates to the VCE legislative platform provision 7(c), but is not a direct connection.

SB 881 (Min). Load-serving entities: integrated resource plans.

The Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Current law requires the commission to adopt a process for each load-serving entity, defined as including electrical corporations, electric service providers, and community choice aggregators, to file an integrated resource plan (IRP) and a schedule for periodic updates to the plan to ensure that load serving entities accomplish specified objectives. Current law requires each load serving entity to prepare and file an IRP consistent with certain requirements on a time schedule directed by the commission and subject to commission review.

This bill would require the commission to require each load serving entity to undertake sufficient procurement to achieve a diverse, balanced, and reliable statewide portfolio and realize specified electricity sector greenhouse gas emissions reductions. This is a bill that warrants watch status to ensure that the IRP planning process does not morph into a procurement mandate mechanism thereby impeding a CCA's ability to execute effective, efficient local energy planning.

This bill relates to the VCE legislative platform provision 1(a), potential to limit the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.

CalCCA is in active discussions with the author's office.

Attachments: Fact Sheets: AB 2696, SB 1174, AB 2937 (no fact sheet for SB 881)



BACKGROUND

Under current law, a CPUC-regulated electric investor-owned utility (IOU) cannot begin building any transmission line without obtaining a Certificate of Public Convenience (CPCN). Construction of transmission projects by CPUC-regulated IOUs is further governed by CPUC General Order 131-D (GO). This GO imposes additional requirements with which the IOU must comply relative to being granted a CPCN and a “permit to construct” by the Commission. There are exceptions from this GO for distribution lines, such as, for construction “categorically exempt” from CEQA, for the replacement of existing power line facilities or supporting structures with equivalent structures, a minor relocation of existing power line facilities, the addition of conductors or accessories to existing lines, conversion of overhead lines to underground, relocation of power lines or substations that previously underwent CEQA review as part of a larger project.

ISSUE

While the State has made tremendous strides in meeting our renewable energy goals, the closer we get to that 2045 deadline, the more difficult it will be to reach that goal. One of those difficulties is the need to bolster and expand our energy infrastructure, including the buildout of transmission facilities.

The process of constructing new transmission lines is both timely and costly. Transmission projects can take up to a decade to permit and build. For example, the Ten West Link, a \$400-million project which will span about 22 miles in California, was in development for about 9 years and is expected to be online in 2023. Additionally, the Devers-Palo Verde No. 2 Transmission Line Project received CPUC approval for their application in September 2005 but construction didn’t begin until June 2011.

The total price tag to buildout this necessary energy infrastructure would result in billions of dollars. From the per mile cost of installing these overhead lines to the operation costs associated with maintenance and repair, these expenses would be passed onto California rate payers, further increasing their energy bills.

California is falling behind in planning and building the electric transmission facilities needed to meet

California’s clean energy and climate targets. This bill would lead to alternative funding mechanisms while aligning the transmission planning process with our GHG reduction goals.

BILL SUMMARY

AB 2696 would conduct a study to review potential lower cost ownership and alternative financing mechanisms for new transmission facilities and would improve the CPUCs Certificate of Public Convenience process.

This bill would address the problems in the current CPUC regulatory process governing the construction of transmission projects by:

1. Providing the CPUC with the ability to direct an IOU to file an application for a CPCN for any transmission facility/project that has been identified in the CAISO’s transmission planning process, rather than leaving that decision to the discretion of the IOU.
2. Establishing a presumption of need for all transmission projects that have already been demonstrated as being necessary and in the public convenience by the CAISO’s TPP process. This will avoid unnecessarily duplicating that process before the CPUC.

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Senate Bill 1174

Clean Energy Transmission

As Introduced on February 17, 2022

SUMMARY

SB 1174 enhances coordination, oversight, and planning of the state's energy transmission and distribution system in order to support adding new renewable energy and energy storage resources to the power grid.

ISSUE

California is facing an unprecedented need for renewable energy resources to power the state's electric grid over the next 10 to 20 years. This heightened need is driven by increased customer demand for clean energy, the continued electrification of transportation and other industries, and state greenhouse gas reduction and renewable energy objectives. This transformation necessitates a substantial build out of transmission systems to deliver the new added capacity to end-use customers.

A recent [draft report](#) released by the California Independent System Operator (CAISO) – which, among other things, oversees the operation of transmission lines in the state – highlighted significant shortfalls in the state's transmission and distribution system. New and updated transmission needs range from high-voltage lines that traverse significant distances to access out-of-state resources, as well as major generation pockets, which include offshore wind and geothermal resources. The report also emphasized that for a number of these transmission additions, lead-times of eight to 10 years are reasonable, if not optimistic, further highlighting the need for longer-term decision making and planning.

In order to maintain electric reliability *and* meet clean energy goals, clear direction from the state is needed to expedite the interconnection of renewable energy and storage resources, with a focus on approving and completing associated transmission and distribution infrastructure for resources currently under contract or in development that can address the near-term capacity shortfall. Efficient and timely transmission development lowers costs for all California ratepayers, and ensures access to the most reliable and cost-effective clean energy resources.

SB 1174 (HERTZBERG)

SB 1174 requires the California Public Utilities Commission (CPUC) to: 1) include a system-wide assessment of delays to interconnection or transmission approvals for eligible renewable energy resources in its annual RPS compliance evaluation; 2) consider the role of transmission in its Integrated Resource Planning process; 3) waive penalties for load-serving entities unable to meet Resource Adequacy obligations due to delays in the completion of a third-party transmission owner's deliverability network upgrades; and 4) in coordination with the California Energy Commission, the California Air Resources Board, and CAISO, identify and advance all interconnection or transmission approvals necessary to address potential capacity shortfalls, and requires those entities execute an accelerated approval and completion process for those purposes.

SB 1174 also requires investor-owned utilities that own electrical transmission facilities to annually prepare, and submit to the CPUC, a consolidated report on any delays to in-service dates of eligible renewable energy resources or energy storage resources, and identify all prudent remedial actions to address and minimize those delays.



SUPPORT

American Clean Power – California (Sponsor)



Assemblymember Lisa Calderon, 57th District

AB 2937 – Electrical Utility Corporation Securitization

SUMMARY

Assembly Bill 2937 seeks to minimize sudden electric bill rate spikes by providing financing options for an electric utility corporation (corporation) to ease the impact of costs associated with climate adaptation on ratepayers.

BACKGROUND

Similar to how the state finances large public infrastructure projects like railroads, securitization allows corporations to immediately access funds through the sale of bonds, while consequently spreading out the cost recovery of these projects over the securitization period.

AB 1054 (Holden, 2019) allocated a \$5B Equity Rate Base Exclusion to each investor-owned utility, and allowed utilities to seek the California Public Utilities Commission (CPUC) authorization to securitize costs deemed reasonable for recovery under Section 451.1 and mitigate fire-risk, capital expenses under Section 8386.3(e). If specific conditions are met, AB 913 (Calderon, 2020) authorizes the CPUC to securitize the under-collection of utility bill amounts for the year 2020 resulting from the COVID-19 pandemic.

PROBLEM

According to CAL FIRE, 14 of the state's largest wildfires have occurred within the past decade.¹ Furthermore, California's Fourth Climate Assessment states that by 2100, the frequency of extreme wildfires burning over approximately 25,000 acres could increase by nearly 50 percent.² This has meant that California's ambitious climate goal of achieving carbon neutrality by 2045 requires constant climate adaptation efforts around mitigating extreme wildfires that are impacting the state. Corporations have initiated wildfire mitigation efforts to reduce the chances of future wildfires being caused by electric infrastructure. Amid the ongoing effects of the COVID-19 pandemic and

simultaneous rise in inflation, climate adaptation costs continue to increase, ultimately burdening ratepayers the most. Without securitization as a financing tool, ratepayers will experience immediate electricity bill rate spikes due to mandated hardening and other infrastructure investments that corporations must undertake. Unfortunately, existing law does not allow this tool to be used extensively.

While existing law authorizes corporations to seek CPUC authorization for the securitization of COVID-related under-collection and wildfire mitigation capital costs, it is not explicitly stated that corporations can seek securitization for wildfire operation and maintenance (O&M) costs – which was one of the points raised by the CPUC in their October 2021 denial of Southern California Edison's request for O&M securitization. Given that mitigation efforts include ongoing O&M aiming to protect future generations, all financing tools should be available for corporations that are implementing climate adaptation projects to help minimize the rate shock these efforts may cause. In addition, existing law does not allow the CPUC to consider the benefits of rate stability when evaluating whether or not to allow a corporation to use securitization.

SOLUTION

AB 2937 would help stabilize electricity rate fluctuations by allowing a corporation to request CPUC approval to finance climate adaptation costs through securitization, including additional wildfire mitigation costs such as O&M expenses. This bill also requires the CPUC to consider whether the rate stability promoted by securitization is in the interest of the public.

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¹ California Department of Forestry and Fire Protection (CAL FIRE). (n.d.). Stats and events. Cal Fire Department of Forestry and Fire Protection. Retrieved February 18, 2022, from <https://www.fire.ca.gov/stats-events/>

² California, S. of. (n.d.). California's Fourth Climate Change Assessment. California Climate Assessment. Retrieved February 22, 2022, from <https://www.climateassessment.ca.gov/>