

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: VCEA Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Community Advisory Committee (CAC) Recommendation to the Board on AB 56, AB 144, SB 520 and SB 288

DATE: June 17, 2019

Staff Recommendation

Support the Community Advisory Committee's recommendation of positions on four (4) key legislative bills as outlined in this report.

Background and Analysis

On May 23, 2019, the Community Advisory Committee (CAC) received, reviewed and took action on the CAC's Legislative/Regulatory (Leg/Reg) Task Group's recommendation of positions on the following four (4) bills:

1. AB 56 (Garcia). California Clean Electricity Authority;
2. AB 144 (Aguiar-Curry). Organic Waste. Comprehensive Statewide Plan. Strategic Growth Council;
3. SB 520 (Hertzberg). Electric Service. Provider of Last Resort; and,
4. SB 288 (Wiener and Nielsen). Electricity. Renewable Resource Self-Generation and Storage.

The CAC Task Group's analysis and recommendation to the CAC is attached.

In summary:

- AB 56 would authorize the Public Utilities Commission to authorize the California Alternative Energy and Advance Transportation Financing Authority to procure electricity to meet the State's goals that are not satisfied by load-serving entities including Community Choice Aggregates (CCAs) such as VCE.
- AB 144 would direct the Strategic Growth Council in consultation with stakeholders and permitting agencies to prepare and submit a scoping plan for the State to meet its organic waste management.
- SB 520 would establish a provider of last resort (POLR) as an electric load serving entity (LSE) to ensure electric service for customers not otherwise served by another LSE.
- SB 288 supports the deployment of energy storage systems for interconnection to the grid.

CAC's Recommendations

The Advisory Committee accepted (5-0-3) the recommendations of its Leg/Reg Task Group on the following bills:

1. Oppose unless amended AB 56 (Garcia).
2. Support in concept AB 144 (Aguar-Curry).
3. Monitor SB 520 (Hertzberg).

Regarding the Leg/Reg Task Group's recommendation on SB 288 (Wiener and Nielsen) which is to *support in concept*, the CAC voted (5-0-3) to modify the recommendation to *monitor* this bill.

Staff concurs with the CAC's recommendation.

Attachment

1. CAC Leg/Reg Task Group Report dated May 23, 2019

LEG/REG TASK GROUP REPORT TO CAC
May 23, 2019 Meeting

Background

The 2019 CAC Leg/Reg Task Group consists of Lorenzo Kristov and Yvonne Hunter (chair). Since VCE now has a lobbying firm, Pacific Policy Group (PPG), to represent it in the California Legislature, the Task Group's process for reviewing bills and recommending positions has been enhanced. Over the last few months, the Task Group has met three times in person with PPG and VCE staff (as well as through email exchanges) to consider how best to work together to select and review bills, benefit from the insights and analyses of PPG, and make recommendations to the CAC on VCE positions.

PPG is coordinating, as appropriate, with CalCCA and shares with the Task Group information about CalCCA's legislative agenda and approach. Having PPG share "on the ground" information with staff and the Task Group is very helpful as the Task Group considers pending legislation and what positions, if any, to take.

While we are still working out the process to ensure it works smoothly, the Task Group is confident that VCE's ability to effectively engage in the legislative process will be significantly improved. Besides emphasizing four to six key bills that PPG (and CalCCA) consider critical (such as those that would harm VCE's ability to serve its customers and achieve its mission), the Task Group will consider other bills that may be of importance to VCE and the customers it serves.

It is important to remember that besides adopting positions on legislation through the Task Group-CAC-Board process, the Interim General Manager can also go directly to the Board Legislative Committee for action on those items that need more immediate action.

2019-2020 Legislative Session

The new, two-year legislative session started in January with a flurry of new bills introduced. With PPG's help, we have reviewed top tier bills that at this time warrant review and possible action. Several bills for which we might have recommended an oppose position have been amended thanks to the efforts of CalCCA and it appears that these bills are no longer problematical and do not need a VCE position at this time. For several bills, we are waiting for CalCCA's review of recent amendments (and whether CalCCA will remove its opposition) to determine whether or not VCE needs to weigh in on these bills.

Beginning in late May, the Task Group, VCE staff and PPG will begin analysis of several additional bills that may be ripe for a VCE position. CAC members who have bills they think we should review are encouraged to let us know the bill numbers and why they think VCE should review the legislation.

Leg/Reg Task Group Recommendations

The Leg/Reg Task Group recommends that the CAC adopt the recommendations listed below for the following 4 bills. The Task Group reached these recommendations with an eye to maximizing VCE's strategic position and legislative involvement, and in consultation with VCE staff and lobbyists, Pacific Policy Group.

1. AB 56 (Garcia). California Clean Electricity Authority.

Summary: This bill would authorize the Public Utilities Commission, if it makes certain findings, to authorize the California Alternative Energy and Advanced Transportation Financing Authority to undertake procurement of electricity to meet the state's climate, clean energy, and reliability goals that are not satisfied by load-serving entities (including CCAs). The bill would authorize the Authority to undertake procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would provide for the reduction in procurement compliance obligations for load-serving entities for the electricity procured by the Authority.

Discussion: While many agree that some sort of centralized electricity procurement system may be a good idea, this bill, as currently written, goes too far. CalCCA is working on amendments to limit the scope of the Authority to purchasing electricity for residual Resource Adequacy needs only.

CalCCA Position: Oppose.

Leg/Reg Task Group Recommendation: Oppose Unless Amended. The Task Group is not recommending that the CAC formally propose specific amendments to the bill at this time, but one key concern is to limit the scope of a central buyer to procurement needed to satisfy residual Resource Adequacy needs. This is consistent with amendments that CalCCA is working on.

2. AB 144 (Aguiar-Curry). Organic Waste. Comprehensive Statewide Plan. Strategic Growth Council.

Summary: Among other provisions related to directing the Forest Management Task Force to develop recommendations regarding siting of new wood product manufacturing facilities, AB 144 would require Strategic Growth Council, by December 31, 2020, in consultation with stakeholders and relevant permitting agencies, to prepare and submit a report to the Legislature that provides a scoping plan for the state to meet its organic waste management mandates, goals, and targets. Elements that would be considered in the plan include, for example, plans that address forest waste from high or very high fire hazard zones, organic and agricultural waste, beneficial reuse of organic waste compared to other practices, air quality impacts, job creation and carbon emissions.

Discussion: This bill, which as of this writing is on the Assembly Suspense File¹, is authored by Assembly Cecelia Aguiar-Curry, VCE’s Assembly Member. It addresses a serious statewide problem that has impact within VCE’s service territory, especially related to agricultural waste. Unlike Assembly Member Aguiar-Curry’s biomass-related bill last year (which would have required all load serving entities, including VCE, to procure a specific amount of biomass generated electricity), AB 144 takes a comprehensive, statewide approach to study and prepare a plan to address California biomass.

CalCCA Position: None at this time.

Leg/Reg Task Group Recommendation: Support in Concept. Work with the author and other stakeholders to craft a bill that both addresses the statewide biomass challenge and benefits VCE’s electricity customers and businesses. Even if the bill remains on the Suspense File and becomes a two-year bill, this would give VCE an opportunity to continue to work with the author and stakeholders on the issue for next year.

3. SB 520 (Hertzberg). Electric Service. Provider of Last Resort.

Summary: Under existing law, a public utility (such as PG&E) has the duty to serve the public and meet certain service criteria (such as reliable service at just and reasonable rates and maintaining equipment). This bill would establish a provider of last resort (POLR) as an electric load serving entity (LSE) that meets specified requirements, including those determined by the California Public Utilities Commission (CPUC), to ensure electric service for customers not otherwise served by another LSE. The bill would define the provider of last resort as the incumbent electric utility (IOU) unless another entity, such as a CCA, is approved by the IOU and the CPUC as the POLR.

Discussion: The issue of who is the POLR and how is it selected and regulated is an important one, with numerous questions that need thoughtful consideration and resolution. Today the IOUs are the POLR for their respective service areas. This was an element of AB 1890 (1996), the bill that restructured the electric industry in the IOU areas. POLR was specified for the opening of retail competition — non-utility companies offering electricity supply contracts to customers — to address the need to continuously provide electric service to a customer whose non-utility provider goes out of business. With the rise of CCAs taking 50% or more of the IOUs’ retail customers, alternative ways to address POLR need to be explored. For example, if an IOU no longer is able to serve customers (because it goes bankrupt), who serves those customers? Can a CCA be a POLR, and what does that require of the CCA? What happens if a CCA no longer is able to provide service? Can a group of CCAs form a POLR for an IOU service area? The

¹ The Suspense Files are placeholders for bills pending in the Senate and Assembly Appropriations Committees that have a cost to the State of \$100,000 or more. These measures either remain on the Suspense File (and become two year bills or dead bills) unless they are amended to reduce the cost to the state or by a vote of the majority of the committee for other reasons.

author has expressed interested in working through these and other issues as the bill moves ahead.

CalCCA Position: None yet at this time. CalCCA is currently determining what position to take and is working with the author and others to find common ground.

Leg/Reg Task Group Recommendation: Monitor bill for now, while negotiations are underway. Be prepared to consider an oppose position on SB 520 if the stakeholder collaborations are not successful and CalCCA adopts an oppose position.

4. SB 288 (Wiener and Nielsen). Electricity. Renewable Resource Self-Generation and Storage.

Summary: This bill would require a number of provisions to support the deployment of customer-sited distributed energy resources, specifically energy storage systems, including requiring electric utilities to establish standardized processes to interconnect to the electric grid, requiring new tariffs and compensation to sell stored energy to the grid and into the wholesale electricity market.

Discussion: This bill deals, in part, with interconnection rights of different types of customers, including NEM customers. VCE's delay of legacy NEM customers was raised during legislative discussions of the bill. The bill's co-author is Senator Jim Nielsen, who represents Butte County, north of VCE's service territory.

CalCCA Position: CalCCA does not yet have a position on SB 288.

Leg/Reg Task Group Recommendation: Support in Concept. Work with authors and others to ensure the bill reflects the needs of VCE to serve its existing and potentially new customers.