

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Board of Directors

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

SUBJECT: 2025 Legislative and Regulatory Platform

DATE: December 12, 2024

RECOMMENDATION

Recommend that the VCE Board approve the proposed 2025 VCE Legislative Platform outlining policy, legislative and regulatory issues and positions that VCE would take on them.

BACKGROUND/ANALYSIS

At the July 8, 2020 Board Meeting, the VCE Board of Directors adopted VCE's first legislative platform. Each year, VCE updates the legislative platform in advance of the next legislative session to reflect ongoing and new legislative priorities. It serves as a guide for legislative engagement and is based on positions that VCE has taken on past legislation, as well as the principles set forth in VCE's Vision Statement, Strategic Plan, and Environmental Justice Statement. The Legislative Platform, however, does not limit VCE's engagement in new legislative or regulatory issues that may impact VCE and are not included in the Platform. In addition, the platform is meant to be an inward facing document to provide guidance to VCE staff and PPG for 2025 in the legislative and regulatory arenas.

The 2024 Platform that was approved by the VCE Board anticipated that the 2025 Platform would address regulatory issues more completely. The attached draft 2025 Legislative and Regulatory Platform incorporates the regulatory process into the document in ways that reflect regulatory issues that may be of interest to VCE as well as a discussion of the regulatory procedures which VCE must follow.

The Leg/Reg Task Group and CAC reviewed the draft 2025 Platform and offered a number of helpful suggestions that are incorporated in the recommended Platform.

Highlights of Key Changes to 2025 Platform

- Both staff and the LRTG reviewed the 2024 Platform and did not see the need for any major policy additions or deletions for the 2025 update. Thus, only minor wording

tweaks and consistency edits are included in issue areas. These include the addition of the phrase “and front-of-the meter distributed” added to statement 3c in the Resource Adequacy section.

- Because affordability promises to be an important legislative and regulatory issue in the future, staff and the LRTG reviewed the 2024 Platform to be sure that it included statements that address affordability issues, should the need arise. The conclusion was that the 2024 Platform includes broad statements related to affordability that provide sufficient guidance to VCE staff and our lobbyist to engage in affordability issues in the coming year. These include sections 1a in Governance and Statutory Authority and 2b in Restructuring the Electric Utility Sector, as shown below.

1. Governance and Statutory Authority

VCE will:

- a. Oppose policies that limits the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.

2. Restructuring the Electricity Utility Sector¹

VCE will:

Support legislation and advocate for reforms to the utility regulatory and business model to transform Investor-Owned Utilities (IOUs) so that they must deliver greater benefits to ratepayers, increase safety and reliability, reduce costs, and support the successful performance of CCAs.

- The draft 2025 Legislative and Regulatory Platform incorporates regulatory issues in two ways.
 - First, it deletes references to “legislation and regulations” in Section B and replaces that phrase with “policy” or “policies” in order to cover both legislative and regulatory issues.
 - Second, it adds a new section (C) “Regulatory Requirements, Procedures and Issues”. This new section includes basic information about the regulatory arena, how it is different from the legislative arena and how VCE participates in that process directly and through CalCCA. It also includes issues in which VCE may become engaged in 2025.
- The draft Platform also includes minor wording changes and formatting/organizational changes to accommodate the inclusion of the new regulatory section.
- The CAC will discuss two issues for possible inclusion in the 2026 Platform. These are transport electrification and consideration of wildlife and open space in siting generation facilities.

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¹ This is one area where legislation would be required, as regulatory action alone would not be feasible.

Conclusion

Staff recommends that the Board approve the attached draft 2025 Legislative and Regulatory Platform to help guide VCE's legislative and regulatory activities.

Attachments

Redline version of the draft 2025 Legislative and Regulatory Platform

Draft 2025 Leg-Reg Platform

2025⁴ LEGISLATIVE AND REGULATORY PLATFORM

Adopted _____, 2024

~~NOTE: In order to expand this platform to include regulatory activities as well as legislation, VCE has added references to regulatory engagement for selected issues. VCE intends to integrate regulatory matters more thoroughly into the platform next year in developing the platform for 2025 with the assistance of its regulatory consultant.~~

A. INTRODUCTION ~~Introduction~~

About Valley Clean Energy

Valley Clean Energy is a joint-powers authority organized pursuant to California law that includes the cities of Davis, Woodland, Winters and the unincorporated areas of Yolo County. The purpose of VCE is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the customers in the VCE service territory. VCE is governed by a Board of Directors consisting of city council members and county supervisors from its member jurisdictions.

PG&E, the incumbent Investor-Owned Utility (IOU), continues to deliver the electricity procured by VCE and performs billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions may opt-out of VCE and remain a PG&E bundled-service electricity customer.

The mission of VCE is to ~~deliver~~ provide cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions to residents, businesses and public facilities within its member jurisdictions. In addition, VCE provides a greater level of transparency and accountability ~~regarding in regard to~~ energy sources and prices because VCE's board consists of local elected officials and its deliberations and decisions are conducted in public in accordance with California law.

About the Legislative and Regulatory Platform

This Legislative and Regulatory Platform serves as a guide for legislative and regulatory engagement in the 2025⁴ legislative session and calendar year. It is based on positions that VCE has taken on past legislation and regulatory proceedings, as well as the principles set forth in VCE's Vision Statement, Strategic Plan, and Environmental Justice Statement. It will be updated annually to reflect new issues that VCE ~~may will~~ address each year. VCE may engage in legislative and regulatory issues not included in the Platform if the proposals have important impact to VCE operations and customers.

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To review VCE's Vision Statement, Strategic Plan and Environmental Justice Statement, please see <https://valleycleanenergy.org/wp-content/uploads/VCEA-Vision-Statement-11-16-17.pdf>, <https://valleycleanenergy.org/wp-content/uploads/Valley-Clean-Energy-Statement-on-Environmental-Justice-Adopted-10-8-2020-1.pdf>, <https://valleycleanenergy.org/wp-content/uploads/VCE-Strategic-Plan-Final.pdf>.

The Platform is divided into two sections: Legislative and Regulatory Issue Areas, and Regulatory Requirements and Procedures. The issue areas are mostly common to both the legislative and regulatory arenas and range from governance and statutory authority to resource adequacy, PCIA and dynamic pricing, as detailed in Section B below. While VCE monitors activities within both the legislative and regulatory landscapes, the landscapes differ in important ways procedurally, and the regulatory structure imposes some specific requirements that VCE must fulfill on a regular periodic basis. Section C describes these regulatory requirements and procedural considerations.

B. LEGISLATIVE AND REGULATORY ISSUE AREAS

Issue Areas

1. Governance and Statutory Authority

VCE will:

- a. Oppose ~~policies legislation and proposed regulations~~ that limits the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.
- b. Oppose ~~policy legislation~~ that limits VCE's ability to effectively serve its customers.
- c. Support efforts of CCAs to engage with their customers and promote transparency in their operations. Similarly, VCE will oppose ~~policies legislation~~ that restrict or limit these abilities.
- d. Support ~~policy legislation~~ that makes it easier for other cities and counties to form a CCA, become members of VCE or other CCAs, and oppose legislation and proposed regulations that restrict that ability.

2. Restructuring the Electricity Utility Sector¹

VCE will:

- a. Work with other local governments interested in forming municipal electric utilities, as well as the California Municipal Utilities Association, to expand opportunities for municipalization. This includes supporting legislation that expands opportunities for CCAs to become municipal electric utilities.
- b. Support legislation and advocate for reforms to the utility regulatory and business model to transform Investor-Owned Utilities (IOUs) so that they must deliver greater benefits to ratepayers, increase safety and reliability, reduce costs, and support the successful performance of CCAs.

¹ This is one area where legislation would be required, as regulatory action alone would not be feasible.

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- c. Advocate for greater collaboration to occur between CCAs and incumbent IOUs, particularly in local planning efforts related to energy, EV charging, community ~~resource~~-centers, microgrids, dynamic pricing, etc.
- d. Support efforts that result in IOUs providing CCA customer meter data to the CCA in real time to enable CCAs to better forecast and schedule load.
- e. Support effective ~~policies legislation~~ that would transform PG&E to a public power or customer owned entity.

3. Resource Adequacy

VCE will:

- a. Support efforts to create a functional central procurement entity for residual Resource Adequacy needs.
- b. Oppose ~~policies legislation~~ that would negatively impact CCAs' procurement authority for Resource Adequacy.
- c. Advocate for and support efforts to remove barriers to demand response, microgrids, behind-the-meter ~~and front-of-the meter distributed~~ resources and aggregations of distributed energy resources to provide Resource Adequacy.
- d. Support ~~policies legislation and proposed regulations~~ that would modify the RA waiver and penalty process so that they more realistically reflect the constraints in the RA markets that Load Serving Entities face.

4. Power Cost Indifference Adjustment (PCIA)

VCE will:

- a. Support CalCCA efforts to increase the transparency of IOU electricity contracts and any other factors that provide the basis for PCIA charges that VCE (and its customers) and other CCAs must pay.
- b. Support efforts to create a pathway to wind down the PCIA.
- c. Support ~~policies legislation~~ that would bring stability to the PCIA and/or provide new mechanisms for CCAs to securitize PCIA charges.
- d. Oppose ~~policies legislation~~ that would increase or expand exit fees, including PCIA, on CCA customers.

5. Load Shaping/Shifting and Dynamic Pricing

VCE will:

- a. Support ~~policies legislation and, funding and regulatory provisions~~ that creates viable opportunities for CCAs to shape or shift load to support grid operations.
- b. Support ~~policy legislation and regulatory provisions~~ that recognizes and assigns Resource Adequacy value to load shaping or load shifting programs.
- c. Support ~~policy legislation and regulatory provisions~~ that enables customers of VCE and other CCAs to participate in dynamic pricing plans to shift load away from peak, including the use of automated systems.

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6. Public Safety Power Shut-Offs (PSPS) and Flex Alerts

VCE will:

- a. Support ~~policy legislation and regulations~~ that increases the notification and transparency requirements on IOUs as they implement a PSPS.
- b. Support ~~policy legislation~~ that creates standards for PSPS implementation and penalties on IOUs that execute PSPS below those standards.
- c. Support ~~policy legislation~~ that creates rules and procedures to ensure PSPSs are implemented narrowly and only as absolutely necessary.
- d. Support ~~policy legislation~~ that requires IOUs to notify impacted cities, counties and CCAs of impending PSPS.
- e. Support ~~policy legislation and regulations~~ that requires IOUs to provide CCAs with better customer contact information so that CCAs may more effectively engage their customers in a timely manner.

7. Community Resilience

VCE will:

- a. Advocate for and support funding for programs implemented by CCAs and their member jurisdictions to increase community resilience to extreme temperatures, wildfires, PSPS events and other potential service disruptions.
- b. Support ~~policy legislation and regulations~~ that reduces barriers to microgrid development by CCAs.
- c. Oppose ~~policy legislation and regulations~~ that would enable IOUs to dominate or restrict microgrid development.
- d. Support ~~policy legislation and regulations~~ that facilitates development of community level resources and distributed energy resources and that recognizes their value in reducing the need for new transmission and distribution infrastructure.

8. Renewable Energy Generation Sources

VCE will:

- a. Support ~~policy legislation~~ that expands opportunities for or reduces barriers to the development of renewable energy sources, including, but not limited to, wind, solar, bioenergy, battery storage, small hydro, and geothermal, as long as local development and siting criteria are consistent with city and county land use authority and other local and state regulatory requirements.
- b. Oppose ~~policy legislation~~ that requires CCAs to purchase specific renewable energy products or technologies, which would limit the ability of CCAs to meet local energy needs in a cost-effective manner and in accordance with the preferences of their member jurisdictions and with their local procurement and rate setting authority.

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9. Energy Justice

VCE will:

- a. Engage in ~~policies legislation~~ that directly or indirectly impacts the ability of underserved communities in the VCE service territory to have affordable, reliable and clean energy.
- b. Support ~~policy legislation and regulations~~ that strengthens the resilience of vulnerable communities to the impacts of climate change.
- c. Support ~~policy legislation~~ that enables all California communities, especially marginalized communities, and individuals, regardless of race, color, national origin, religion, sexual orientation, sex, gender identity, age, disability or socioeconomic status, to participate in the transition to a zero carbon electrical grid in a cost-effective manner.
- d. Support ~~policy legislation~~ that enables all California communities, especially historically marginalized communities, and individuals, regardless of race, color, national origin, religion, sexual orientation, sex, gender identity, age, disability or socioeconomic status, to participate in the decarbonization of the state's building stock and the transportation sector.
- e. Support ~~policy and funding legislation or budget appropriations~~ to alleviate residential and commercial energy insecurity or financial hardships that could disrupt electricity service to VCE customers or restrict VCE customers' access to clean energy opportunities. This could include, for example, assistance to avoid electric service disconnections or economic recovery funding for transportation electrification.

10. Local Economic Development and Environmental Objectives

VCE will:

- a. Support ~~policy legislation~~ that enhances opportunities for CCAs to promote local economic development through locally designed programs that meet the unique needs of its member agencies and customers.
- b. Support ~~policy legislation~~ that enhances development of local and regional sources of renewable energy.
- c. Support ~~policy legislation~~ that enables CCAs to collaborate with their member jurisdictions on local energy resources and projects to advance environmental objectives.
- d. Support ~~policy legislation and regulations~~ to enable CCAs to plan, own and operate clean energy resources that serve local needs while contributing to the local economy.
- e. Support ~~policy legislation~~ and ~~other~~ programs that ensure that CCAs and their member agencies have access to existing and new state and federal energy-related grant and loan funds, including programs for residential, commercial, industrial, agricultural and government customers.

11. Miscellaneous

VCE will:

- a. Oppose ~~policy legislation~~ that expands direct access or the ability or economic incentives for electric service providers to selectively recruit CCA or IOU customers.

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- b. Support policy legislation that would require all load-serving entities to meet the same renewable content, environmental and other procurement requirements.
- c. Engage with legislative, regulatory or other proposals to create a western regional transmission organization. Such an organization must ensure the continued ability of CCAs to retain their local governance, rate making and procurement authority and ensure that California’s environmental and energy policies are not compromised.
- d. Support policy legislation and proposed regulations that address es interconnection or energizing delays for businesses, public agencies, homes, and energy generation projects.

C. REGULATORY REQUIREMENTS, PROCEDURES AND ISSUES

Background

As noted above, VCE monitors the regulatory landscape covering the topics listed in Section B. However, the regulatory landscape is much more complicated than the legislative landscape. State agency action on issues (generally referred to as “proceedings”) can often last several years, especially those proceedings conducted by the CPUC. In addition, engagement by an individual or agency, such as VCE, must follow specified procedural requirements.² As a result, regulatory participation is more resource intensive.

At the same time, as a “load-serving entity” (LSE) under California law VCE must comply with specific regulatory requirements. As a result, VCE directly and indirectly participates in the regulatory process in several ways. They include the following activities.

1.State Agency Compliance Reporting. Each year, VCE (or its regulatory and power procurement consultants, on behalf of VCE) files over 50 compliance reports to different state agencies including the CPUC, CEC, CAISO, Secretary of State. These include, but are not limited to: the joint rate mailer, integrated resource plan, renewable portfolio standard report, PG&E rate comparison mailer, RA year ahead load forecast, and power content label.

² Participating in a CPUC regulatory proceeding is more complicated than engaging in the legislative process. CPUC proceedings are considered quasi-judicial or court-like hearings. They are overseen by an administrative law judge and generally follow court like procedures. Those wishing to engage in a proceeding and submit a brief or testify must become “a party” to the proceeding and follow specified practices. Simply submitting a letter with comments on a proceeding is not an effective way to be engaged in a CPUC proceeding. Often proceedings are active over several years, require ongoing commitment of staff or consultant resources, and those interested in the issues must follow formal procedures for providing comments or other input.

³ CalCCA’s mission related to legislative and regulatory issues is best summed up by the following statement on its website: “CalCCAsupports legislation and regulatory policies that protect and foster CCAs within the state. We promote competitive neutrality and a level playing field. We oppose legislation and regulatory policies that unfairly discriminate against CCAs or CCA customers, or reduce CCA policy- or decision-making autonomy.”

⁴ More about CalCCA’s Regulatory policy and filings is available at: <https://cal-cca.org/regulatorylegislative/>

2. CalCCA Regulatory Committee.³ VCE staff participates on CalCCA’s Regulatory Committee. It meets weekly with subcommittees meeting multiple times a week, depending on deadlines and CalCAA comment depending on individual proceedings.

3. CalCCA Regulatory Filings.⁴ CalCCA periodically becomes “a party” to a CPUC regulatory proceeding on behalf of its member CCAs and submits comments and engages in discussions with CPUC staff and CPUC commissioners. VCE monitors these items and periodically provides input to the internal discussion related to how to approach a proceeding and the content of CalCCA comments. Examples of CalCCA filings include: Slice of Day, Provider of Last Resort (POLR), Establishing Energization Timelines and New Approaches to Disconnections and Reconections to Improve Energy Access and Contain Costs. CalCCA also files comments on behalf of its member CCAs on California Energy Commission proceedings, although that regulatory process is different than that at the CPUC.

4. Individual CCA Regulatory Filings. Individual CCAs sometimes submit their own comments in CPUC proceedings, individually or jointly with other CCAs. VCE monitors these and occasionally has submitted its own comments or joined other CCAs. For example, VCE submitted comments on the expansion of the Dynamic Pricing Pilot (related to AgFIT) and RA Slice of Day proceedings.

5. Joining CalCCA or Individual CCA Filings. On high priority issues that significantly impact VCE, with the assistance of its regulatory consultant, VCE joins CalCCA or other CCAs in a filing submitted by CalCCA or a CCA. Examples include: Summer Reliability (Dynamic Pricing) and Slice of Day Resource Adequacy.

6. VCE Leads a Response to a Regulatory Proceeding. For high priority issues, VCE may take the lead in a regulatory filing, inviting CalCCA and other CCAs to join the filing. An example was the recent proceeding related to expanding the Dynamic Pricing Pilot Program (AgFIT).

7. Other Regulatory-Related Activities. These activities may include proceedings or actions at CAISO, the Air Resources Board, Federal Energy Regulatory Commission (FERC) or other regulatory agencies that may have direct or indirect impacts on VCE or the CCA community.

Proposed Future VCE Regulatory Engagement

In 2025, VCE will engage in the regulatory process in the following way.

- Continue to participate with CalCCA and other CCAs, as described in items 1-7 above.
- Depending upon staff and financial resources available, identify and participate in high priority regulatory proceedings that may have significant impact on VCE’s autonomy,

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governance, rate setting authority, mission and strategic plan. The proceedings may include, but are not limited to: slice of day RA reform, RA benchmarking, dynamic pricing and other new critical issues that may arise in 2025 or in future years.

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