

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 7**

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To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update – Pacific Policy Group

Date: May 9, 2024

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Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group (LRTG) continues to meet and discuss legislative matters. Below is a summary:

When talking with legislative staff, committee consultants, or advocates during the month of April there is a shared sentiment that it is least favorite month of the legislative session for virtually everyone involved. Policy committees must consider thousands of bills during the month, often with little time between when amendments are put in print and when the bill is heard. The slog of multiple committee hearings occurring throughout each Monday, Tuesday, and Wednesday leads to bitter fights and resentment amongst legislators and stakeholders. There is always some bit of drama that unfolds during April, and this year that certainly occurred in the energy policy space. With a number of bills focused on the processes that the investor-owned utilities (IOUs) utilize to propose rates and how the IOUs then profit there were heated discussions in both the Senate Energy, Utilities, and Communications Committee (SEUC) and Assembly Utilities & Energy Committee (U&E). At the same time, several proposals were launched to revisit and potentially revise PUC decisions, both past present; the most notable of which is AB 1999 (Irwin) to impose to cap the Income Graduated Fixed Charge (IGFC). The U&E Committee was in possession of AB 1999 until the Assembly Speaker moved the bill back to the Rules Committee, a maneuver that blocks the bill from proceeding this session.

The drama with U&E didn't end there; Assemblymember Connolly is pursuing policy to ease the implementation of microgrids in AB 3107. The committee pushed amendments that changed the bill to have the CEC simply study barriers to and benefits of microgrids, which enabled the bill to go on the consent agenda for the final U&E hearing. However, Mr. Connolly decided to pull the bill off of consent so the bill could be presented, during the debate there were speakers in support of the bill that made untoward comments about the committee and its process. These comments prompted the U&E chair to not vote for the bill, despite the bill having a consent recommendation, and Mr. Connolly was subsequently removed as a committee member of U&E.

Elsewhere in the Legislature, the state budget continues to be the biggest problem of the 2024 session. The Legislature and Governor Newsom reached agreement on an early action budget

bill, AB 106, to implement a number of cuts and deferrals that reduces the deficit by some \$17 billion. AB 106 also authorized the Department of Finance (DOF) to freeze certain unspent funding that had been previously appropriated in past budgets, an authorization that DOF is beginning to utilize. Everyone is waiting with baited breath for the Governor to release his May Budget Revision by May 15, which will significantly dictate how the remainder of the session plays out.

VCE staff, the LRTG and PPG are currently examining the following bills and expect to evaluate more bills as they are identified as of interest to VCE and CCAs.

### **1. SB 1305 (Stern) Virtual Power Plant Procurement Mandate**

Summary: The bill would require the PUC to adopt virtual power plant (VPP) procurement targets applicable to the IOUs, which would beginning January 30, 2028 and each year thereafter, be required to file a report with the PUC on its progress toward complying with the virtual power plant procurement targets.

CalCCA had some initial conversations with the author's office and the supposed sponsor, OhmConnect, to discuss the potential for amendments to remove the procurement mandate that had applied to CCAs. The amended version of the bill no longer applies to CCAs but it is one still to watch. Ultimately the author decided to not proceed with the bill being heard in the Senate Energy, Utilities & Communications Committee and the bill is now dead for the session.

#### Additional Information

- Next Hearing: The bill was pulled by the author from the Senate Energy, Utilities & Communications Committee and is now dead.
- VCE has yet to take an official position
- Bill language: [SB 1305](#)

### **2. SB 1508 (Stern) Storage Mandate**

Summary: Existing law requires the CPUC to adopt a process for each load-serving entity to file an integrated resource plan and a schedule for periodic updates to the plan and to ensure that load-serving entities, among other things, ensure system and local reliability on a near-term, mid-term, and long-term basis and maintain a diverse portfolio of energy resources. This bill would require the commission to ensure that diverse energy storage duration classes are modeled and that energy storage technology that meets an energy storage class's minimum duration requirement is modeled within that class to ensure technology neutrality.

This bill was heavily amended coming out of the Senate Energy, Utilities, & Communications Committee as the original bill that went before the committee included a procurement mandate for long duration energy storage and multiday energy storage systems. The procurement mandate caused some concern but now that the mandate provision has been removed the bill is of less consequence.

#### Additional Information

- Next Hearing: The bill will be heard Appropriations.
- VCE has yet to take an official position.

- Bill language: [SB 1508](#)

### 3. AB 2368 (Petrie-Norris) Reliability

Summary: Existing law requires the Independent System Operator to ensure the efficient use and reliable operation of the transmission grid, as provided. This bill would authorize the CPUC, in coordination with the Independent System Operator, to establish resource adequacy requirements that is sufficient to maintain a one-day-in-10-year loss of load expectation. The bill also directs the CAISO to evaluate outages for insufficient generation procurement and report the findings and procurement recommendations to the PUC, CEC, and Legislature.

#### Additional Information

- Next Hearing: The bill will be heard Appropriations.
- VCE has yet to take an official position.
- Bill language: [AB 2368](#)

### 4. AB 1999 (Irwin) Income Graduated Fix Charge (IGFC)

Summary: Current law requires the CPUC, no later than July 1, 2024, to authorize a fixed charge for default residential rates that are to be established on an income-graduated basis, with no fewer than 3 income thresholds, so that low-income ratepayers in each baseline territory would realize a lower average monthly bill without making any changes in usage. This bill would repeal the provisions described in the preceding sentence and would instead permit the commission to authorize fixed charges that, as of January 1, 2015, do not exceed \$5 per residential customer account per month for low-income customers enrolled in the California Alternate Rates for Energy (CARE) program and that do not exceed \$10 per residential customer account per month for customers not enrolled in the CARE program. The bill would authorize these maximum allowable fixed charges to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year, beginning January 1, 2016.

In 2021, the Legislature passed AB 205, a budget trailer bill that enacted a number of energy related policies including the California Arrearage Payment Program, a new site certification process at the CEC, creation of the Strategic Reliability Reserve, an authorization to extend several once-through cooling plants, and an authorization for the CPUC to adopt new fixed charges on an income-graduated scale. The outcry from the public has emerged regarding an income-graduated fix charge as the CPUC has been working through its proceeding, and state legislators have been hearing from their constituents. AB 1999 is in response to the uproar, but it's a challenging position for legislators as many, including the author and many of the coauthors, voted for AB 205 back in 2021. The impact of the proposed IGFC on residential customers is that it appears to impact medium and low-income customers at a higher rate than anticipated, thus having the potential to impose a significant financial and affordability burden.

The bill had been in the possession of the Assembly Utilities & Energy Committee but was then pulled back to the Rules Committee, which is a move by the Assembly leadership to sit on the bill and not let it proceed this session. The CPUC's announced proposed decision to align the IGFC with one SMUD imposes took the wind out of the sails with IGFC related bills.

#### Additional Information

- Next Hearing: The bill was pulled back to the Assembly Rules Committee and is now dead.
- VCE Position: Watch
- Bill language: [AB 1999](#)

### **5. AB 2666 (Boerner) Public Utilities Rate of Return**

Summary: Current law authorizes the Public Utilities Commission to fix the rates and charges for every public utility, including electrical and gas corporations, and requires those rates and charges to be just and reasonable. This bill would require the commission, following each general rate case test year, to review which costs, if any, each electrical corporation or gas corporation was able to reduce to achieve profits and to adjust the authorized revenue requirement in the attrition years or in the subsequent general rate case, as appropriate, based on the actual past costs the corporation records. The bill would require the commission to establish guidelines for electrical corporations and gas corporations to calculate and report annually their actual rates of return to the commission.

The original version of this bill required investor-owned utilities (IOUs) to return to ratepayers any revenue received by the IOUs above their authorized rate of return. The bill now requires the CPUC to evaluate how IOUs are achieving cost savings against their projected costs provided in a General Rate Case (GRC) and authorizes the CPUC to either reduce the rate of return in subsequent years or in a subsequent GRC.

#### Additional Information

- Next Hearing: The bill will be heard Appropriations.
- VCE has yet to take an official position.
- Bill language: [AB 2666](#)

### **6. AB 817 (Pacheco) Brown Act Exemption for Subsidiary Bodies**

Summary: This bill, until January 1, 2026, would authorize a subsidiary, defined as a legislative body that serves exclusively in an advisory capacity and is not authorized to take final action on legislation, regulations, contracts, licenses, permits, or any other entitlements, to meet remotely and be exempt from the Brown Act requirements for notice, agenda, and public participation. In order to use the exemption, the bill would require the legislative body that established the subsidiary body by charter, ordinance, resolution, or other formal action to authorize, majority vote, the subsidiary body to use remote meetings before for the first time and every 12 months thereafter.

#### Additional Information

- Next Hearing: The bill will be heard Senate Local Government
- VCE Position: Watch
- CalCCA Position: Support
- Bill Language: [AB 817](#)