VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Board of Directors

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DATE: June 13, 2024

RECOMMENDATION
Support the Administration's proposed budget trailer bill language to raise the statutory cap on the Energy Resources Program Account (ERPA).

BACKGROUND/ANALYSIS
Recently, the California Energy Commission (CEC) approached CalCCA and individual CCAs, including VCE, requesting support for the Governor's budget trailer bill language that would raise the statutory cap on the Energy Resources Program Account (ERPA), tie the statutory cap to the Consumer Price Index and extend the surcharge to behind-the-meter electricity consumption.

ERPA is the main source of funds supporting the CEC's operations. The primary source of revenue for ERPA is a surcharge on retail electricity sales, which is currently set to the statutory maximum of $0.0003 per kWh. This surcharge generated $71.6 million in 2022-23. On average, a California ratepayer pays about 16 cents per month for the surcharge—or about $2 annually. According to the Administration, the current level of revenues generated by this surcharge is insufficient to support CEC sustainably. In 2024-25, the Governor's Budget includes $95.7 million in expenditures from ERPA, which continues a structural deficit in the fund. Without action, ERPA is projected to become insolvent in 2027-28.

The Administration reports that the deficit is the result of several factors. These include growth in the scope of CEC's roles and responsibilities in the last several years, as clean energy, electrification, and energy reliability have become key in reaching the state's climate change goals. Also, because the surcharge applies only to retail electricity sales, revenues are expected to decrease as a result of behind the meter (BTM) rooftop solar, wind and non-utility generation increases.

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To address this structural deficit, the Governor's Budget includes trailer bill language that would, beginning January 1, 2025: (1) adjust the surcharge cap to $0.00066 per kWh; (2) tie the surcharge cap to the Consumer Price Index; and (3) apply the ERPA surcharge to BTM energy consumption. The amount currently charged ratepayers (about $0.16/month) is relatively minor. Additionally, an increase in the surcharge would not be automatic. Rather, each year, the CEC will forecast the impact of projected expenditures (including the cost of new mandates, salary increases, etc.) on the fund balance. If those projections show the ERPA fund balance would drop below the prudent reserve in the upcoming year, the CEC would propose a surcharge increase for adoption at a November business meeting of the Commission sufficient to maintain the reserve.

If the Budget Trailer bill language is enacted, the new surcharge would not increase immediately and would not reach the full authorized level ($0.33/month) for many years. And, since the funds from this account are NOT continuously appropriated, each year the Legislature would have full control over whether the increase is needed.

CalCCA has adopted a support position. The VCE LegReg Task Group discussed this issue at a recent meeting (without a full complement of members). Due to the tight timeframe, the CAC has not had a chance to consider the issue.

CONCLUSION

Staff recommends that VCE support the Budget trailer language related to the ERPA surcharge. Given the importance of the work the CEC does relative to clean energy, reliability, electrification and climate change, and the fact that VCE works closely with the CEC on several projects of mutual interest, staff believes that a support position is appropriate.