

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report Item - 9

TO: VCE Community Advisory Committee
FROM: Mitch Sears, Interim General Manager
SUBJECT: Legislative/Regulatory Task Group Summary and Recommendation on Six (6) Bills
DATE: July 30, 2018

Recommendation

1. Support the CalCCA position on the legislation as outlined in the staff report below.

Background/Analysis

In February 2018, the VCE Board adopted a policy directing the Community Advisory Committee to collaborate with VCE staff on monitoring legislative and regulatory activities related to Community Choice Energy issues. The primary task was to identify and recommend positions on proposed bills to the Board that potentially impacted VCE. Based on the adopted procedure, the CAC's Legislative and Regulatory Task Group reviews positions recommended by CalCCA, identifying 2-4 high priority issues that VCE may want to "emphasize in its legislative and regulatory outreach efforts".

Consistent with the adopted policy, the Community Advisory Committee (CAC) Legislative/Regulatory (Leg./Reg.) Task Group met and has prepared the attached *preliminary* summary report on the following six (6) bills. The CalCCA position is shown in parentheses:

- A. Senate Bill 1088 (Dodd). Safety, reliability, and resiliency planning. (Oppose unless amended)
- B. Senate Bill 1347 (Stern). Energy storage systems: procurement. (Oppose unless amended)
- C. Senate Bill 237 (Hertzberg). Direct Access. (No formal position as of the date of this report)
- D. Assembly Bill 893 (Garcia). Renewable Portfolio Standard. Geothermal. (Oppose)
- E. Assembly Bill 2208 (Aguiar-Curry). Electrical Utilities. Biomass. Geothermal. (Oppose)
- F. Assembly Bill 2726 (Levine). California Global Warming Solutions Act of 2006: consumption-based accounting. (Oppose)

Note: These are the key bills that CalCCA has identified that pose significant issues for its membership. CalCCA is currently tracking close to 60 bills, the vast majority of which it takes a neutral or no position on.

The Task Group's *preliminary* report summarizes the bills but does not include their recommendation which was not available at the time of the writing of this staff report. The Task Group's recommendations will be provided at the CAC meeting. In addition, although CalCCA has not taken a position on Senate Bill 237 (Hertzberg) regarding Direct Access, the Task Group wanted to bring the bill to the CAC's attention.

Attachment

1. CAC Regulatory/Legislative Task Group Preliminary Report

LEG/REG TASK GROUP REPORT (Updated 7/27/18)
July 30, 2018 CAC Meeting
Revised with Task Group Recommendations and Additional Information

As we near the end of the 2017-2018 Legislative Session, the following five bills for which CalCCA has adopted positions may be of interest to VCE. This is especially important because CalCCA is recommending either oppose or oppose unless amended positions because of the potential negative impacts on CCAs. We also include a recommendation on SB 237 (Hertzberg), for which CalCCA has not yet taken a position (as of 7-26-18).

Because of timing and because the last month of the legislative session begins August 6, we suggest that the CAC may wish to recommend to the VCE staff and board that the board use its agreed upon expedited process to adopt interim positions before the August 9 board meeting on several bills (such as SB 237 and AB 893) so that VCE's positions can be shared with the authors, CalCCA and relevant legislative committees.

Below is the following information: a summary of each bill, a link to the bill on the legislature's bill tracking website (which includes the bill text, history and committee analyses), the status of the bill, CalCCA's position, and the recommendation of the VCE CAC Task Group. Also, CalCCA's letters for each bill are attached to this report. The Legislature will return August 6 from its summer recess; the 2017-2018 Legislative session concludes at midnight August 31.

1. SB 1088 (Dodd). Safety, reliability, and resiliency planning.

Summary: Among other provisions, his bill requires each electrical corporation or gas corporation to submit a safety, reliability, and resiliency plan to the California Public Utilities Commission (CPUC) every two years.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1088

Status: In the Assembly. Pending in Assembly Rules Committee after being removed from the Assembly Appropriations Committee.

CalCCA Position: Oppose unless amended. See attached CalCCA letter.

Leg/Reg Task Group Recommendation: Watch (3-1; the "no" vote preferred to oppose SB 1088). SB 1088 likely will become part of the larger discussion about wildfire liability that is ongoing in the Legislature. Thus, although it is probably not relevant in its current form, we recommend watching for possible amendments that would be of concern to VCE, such as cost impacts.

2. AB 893 (Garcia). Renewable Portfolio Standard. Geothermal.

Summary: Requires, no later than December 31, 2021, each retail seller of electricity to procure a proportionate share, as determined by the commission, of a statewide total of 3,000 megawatts of electricity generated by geothermal power plants. [This is a gut and amend bill.]

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB893

Status: Pending in Senate Appropriations Committee

CalCCA Position: Oppose. CalCCA letter is attached.

Leg/Reg Task Group Recommendation: Oppose (vote 4-0). We agree with CalCCA's position and comments. It is not appropriate to require that load serving entities (including CCAs) procure specified generation sources or carve-outs. This limits the ability of CCAs to select the best renewable generation sources that meet their needs, including availability, effectiveness and cost.

3. SB 1347 (Stern). Energy storage systems: procurement.

Summary: This bill would require the Public Utilities Commission on or before January 1, 2020, to consider procurement strategies for the installation of a statewide total of up to 2,000 megawatts of energy storage systems. As part of the procurement strategies considered by the commission, the bill would require the commission to consider appropriate targets, if any, for electrical corporations, community choice aggregators, electric service providers, and certain electrical cooperatives (collectively, load-serving entities) to procure cost-effective energy storage systems, to be achieved by December 31, 2030.

If the commission imposes an energy storage system procurement target on load-serving entities, the bill would authorize each load-serving entity to meet up to 50% of its procurement target through energy storage systems that it owns, that are interconnected at the transmission or distribution level, or that are located on the customer side of the meter, as specified. The bill does not specify how the other 50% should be procured, but language in the bill suggests that the CPUC could authorize the IOUs to procure some amounts on behalf of, and allocate costs to, other LSEs including CCAs (section (c)). The bill also requires the LSE to demonstrate cost effectiveness of energy storage procurement it proposes in its IRP, presumably giving the CPUC authority to approve or not (section (d)). The bill requires the commission to reconsider procurement strategies and appropriate targets not less than once every 3 years.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1347

Status: Pending in Assembly Appropriations Committee.

CalCCA Position: Oppose unless amended. CalCCA letter is attached.

Leg/Reg Task Group Recommendation: While we agree that increasing the amount of storage is important and support efforts to do so, we have concerns about the inappropriate impact that the current version of the bill would have on CCAs procurement authority and flexibility, including the potential for allocation of costs from CPUC-approved IOU-procured storage resources.

Recommended position: Oppose unless amended (vote 3-0 to oppose; abstain 1)

Reasons for Leg/Reg Task Group Recommendation:

- Oppose unless amended: Agree with CalCCA position that SB 1347 restricts the procurement authority of CCAs to decide what types of storage to procure, seems to limit each CCA's self-determined procurement to 50% of its own procurement target with exposure to IOU procurement costs for the other 50%, and subjects its storage procurement choices to a showing to the CPUC to demonstrate cost-effectiveness

and viability of its proposed procurement. This gives inappropriate authority to the CPUC (instead of a CCA's governing body) to make procurement decisions.

- Abstain: This is a complex issue; not enough information to understand the nuances to make an informed decision.

4. AB 2208 (Aguiar-Curry). Electrical Utilities. Biomass. Geothermal.

Summary: Requires the incremental renewable energy procurement of each "retail seller" of electricity, i.e., investor-owned utilities (IOUs), energy service providers (ESPs) and community choice aggregators (CCAs), as well as publicly-owned utilities (POUs), to include an unspecified percentage of geothermal, biogas or biomass energy resources, including an unspecified percentage from the Salton Sea Known Geothermal Resource Area.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2208

Status: Assembly Appropriations Suspense file; the bill is dead for the session.

CalCCA Position: Oppose. CalCCA letter is attached.

Leg/Reg Task Group Recommendation: Oppose (vote 4-0). We agree with CalCCA's position. It is not appropriate to dictate generation source carve-outs to load serving entities. In addition, the requirement to use biomass and geothermal could be problematical for CCAs since they could be faced with more expensive and less available biomass or geothermal generated electricity than other renewable sources. Since the bill appears dead for this session, we suggest notifying the author verbally about VCE's position.

5. AB 2726 (Levine). California Global Warming Solutions Act of 2006: consumption-based accounting.

Summary: Requires the Air Resources Board (ARB) to establish a "consumption-based" inventory of greenhouse gas (GHG) emissions.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2726 Ga

Status: Assembly Appropriations Committee suspense file; bill is dead for the session.

CalCCA Position: Oppose. See attached CalCCA letter.

Leg/Reg Task Group Recommendation: Watch (vote 4-0). This bill appears dead for the session.

Other Legislation of Potential Concern

6. SB 237 (Hertzberg). Direct Access.

Summary: SB 237 would require the PUC to adopt and implement a new phase in period for expanding direct access over three year period. By the end of that time, all non-residential customers would be able to acquire electricity service from other providers.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB237

Status: SB 237 is a gut and amend bill and only appeared in its current form in June 2018. It is currently pending in the Assembly Appropriations Committee.

CalCCA Position: CalCCA does not yet have a position on SB 237.

Leg/Reg Task Group Recommendation: Oppose (vote 4-0). There are several reasons why the opening of direct access (DA) to all non-residential customers would undermine the objectives and viability of CCAs:

- Opening DA to all non-residential customers would lead to large and unpredictable changes in the expected load for CCAs, increasing CCA procurement costs and financial risks. This problem is exacerbated by the fact that the 50% RPS from SB 350 requires each LSE to procure 65% of its RPS energy under long-term contract (10 years or more) by 2020. Managing the procurement risks of meeting that requirement under the load uncertainty created by this bill would be nearly impossible.
- Many IOUs and CCAs now exceed the RPS requirements, whereas the DA providers would only have to meet the minimum RPS requirements, which could severely slow the trajectory of GHG emission reductions. Note that a previous version from 2015 was amended to make the DA providers meet a 75% RPS - but it then died.
- From a transparency and process standpoint, such a major change in the California retail electric service market needs full vetting from committees in both houses as well as impacted stakeholders, which it has not had. An issue of this importance should not be introduced this late in the session. Rather, it should be introduced at the beginning of the session in order to have a full and informed public debate.



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May 15, 2018

The Honorable Bill Dodd
Member, California State Senate
State Capitol
Sacramento, CA. 95814

RE: SB 1088 (Dodd) – Oppose Unless Amended

Dear Senator Dodd:

On May 11, 2018 I wrote to you on behalf of CalCCA to express our opposition to SB 1088 as amended on May 2, 2018. As a follow-up to that letter we want to identify the specific amendments we are requesting.

CalCCA is supportive of your leadership on creating standards for reducing risks from future fires, but we are concerned with the language found in SB 1088 related to reliability and distributed energy resources. Specifically, we ask you to:

1. **Remove all of 2899.3.** This section effectively prohibits *most* distributed energy resource (DER) projects occurring today. Such projects include community solar power, community battery storage, microgrids, and even aggregated smart EV charging networks. Liability for DERs is already assigned in the DER contracts that providers have with investor-owned utilities today. There is no unassigned liability. However, to extend potentially unlimited system liability to small-scale local DER projects would serve to end the innovation in that sector and not recognize the investor-owned utility's existing engineering limitations that serve to protect the system from local DER impacts.

2. Modify Section 2899.2(b)(14) to read "Any other element pertaining to electric and gas safety, reliability, or resiliency deemed appropriate by the commission **with the option for community choice aggregators to self-provide resources required for reliability as determined by the Commission, consistent with the community choice aggregator's obligation to comply with resource adequacy requirements pursuant to Public Utilities Code Section 380.**" This addition is critical because CCAs are investing in reliability resources today, so CCA customers would be paying twice for reliability services without this edit.

The addition will ensure that double-procurement of reliability resources does not occur in territories served by CCAs.

When the Legislature authorized the formation of CCAs by passing AB 117 (Migden), it did so with the intent of ensuring public oversight of energy markets to reduce risks and ensure well-managed competition. These sections of SB 1088 would stifle CCAs and technology companies from competing with IOUs for innovative clean-power DERs, and increase ratepayer costs for reliability without adding value.

CalCCA does not believe it is your intent to increase costs or to block competition. Thank you for your consideration of CalCCA's request. We look forward to working with you and your staff on this effort.

Sincerely,



Beth Vaughan
Executive Director
CalCCA

Cc: Senator Ricardo Lara, Chair, Senate Appropriations Committee
Members, Senate Appropriations Committee



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May 11, 2018

Assemblymember Hueso
Member, California State Legislature
State Capitol, Room 4035
Sacramento, CA. 95814

RE: AB 893 (Hueso) – Oppose

Dear Assemblymember Hueso,

The California Community Choice Association (CalCCA) writes to respectfully oppose AB 893. In establishing a statewide target for geothermal capacity and requiring all retail sellers to procure a proportionate share of the geothermal target, AB 893 does not identify a need or basis to establish a carve-out for geothermal energy, or for the capacity target specified in the bill.

CalCCA, whose members are local, non-profit agencies formed to respond to and invest in the specific needs of their communities, objects to the requirement to purchase a specific resource from a specific location without regard to system reliability, congestion costs, or existing procurement of baseload renewable resources. Requiring the purchase of specific resources increases the cost of those resources and limits the ability of CalCCA members to procure or build local renewable resources. In addition, an electric provider in Northern California would experience significantly different congestion costs and risks in buying Salton Sea geothermal, compared to a provider in San Diego.

Fundamentally, the Legislature has a duty to ensure that ratepayers are not harmed through the application of overly prescriptive requirements that remove market competition.

It is for these reasons that CalCCA opposes AB 893 and urges you to withdraw the bill.

Regards,

Beth Vaughan
Executive Director

Cc: Committee on Revenue & Taxation

Advancing local energy choice



June 1, 2018

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The Honorable Assemblyman Holden
Chair, Assembly Utilities & Energy Committee
State Capitol, Room
Sacramento, CA

RE: SB 1347 (Stern) – Oppose unless Amended

Dear Assemblyman Holden:

The California Community Choice Association (CalCCA) writes to oppose SB 1347 unless it is amended to create a level playing field among all load-serving entities regarding cost allocation and recovery. While CCAs support the goals of SB 1347 to deploy energy storage systems to stimulate market development and meet grid reliability needs, investor owned utilities (IOUs) are not uniquely positioned to provide these benefits and should not procure resources on behalf of CCA customers in addition to CCAs already procuring such systems (also mandated by the bill). This leads to higher costs for CCA customers through costly double procurement which directly undermines a CCA's ability to serve its local community while keeping rates affordable.

CCAs choose their energy supply based on community preferences and support state efforts to transition California to a carbon-free economy. SB 1347 would result in needless, costly litigation before the Public Utilities Commission between CCAs and IOUs on the structure of the IOUs' storage procurement and the allocation of storage contract costs. CalCCA believes a better approach can be developed that allows CCAs to choose their own storage resources, with language protecting both CCA and IOU ratepayers. CCAs are well positioned to procure resources to meet state goals and develop a fair cost recovery mechanism to achieve the goals of SB 1347.

CalCCA supports amending SB 1347 to ensure that CCAs can procure energy storage in a fair and equitable manner for the customers we collectively serve.

If you have questions, or wish to discuss our position, please do not hesitate to contact me.

Regards,

Beth Vaughan
Executive Director

cc: Members, Assembly Utilities & Energy Committee



April 20, 2018

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The Honorable Al Muratsuchi
Chair, Assembly Natural Resources Committee
State Capitol, Room 2179
Sacramento, CA 95814

Re: AB 2208 (Aguilar-Curry): OPPOSE

Dear Chairman Muratsuchi,

CalCCA writes to respectfully oppose AB 2208 as amended on April 19. AB 2208 would require that an unspecified amount of the incremental renewable portfolio standard procurement requirements for each new compliance period be from geothermal, biomass, or another type of renewable source with a certain amount of flexibility.

CalCCA is the trade association representing more than 20 public community choice electricity providers (operational and affiliate members) throughout California. Community Choice Aggregators (CCAs) create public oversight of power generation and offer cleaner sources of power at competitive rates to all customers.

If AB 2208 were to pass as currently drafted, it would require CCAs to procure geothermal power from the Salton Sea Known Geothermal Resource Area whether or not they already had significant baseload renewable sources. As you know, mandating an energy provider to procure a particular resource would restrict that provider's ability to procure energy according to customer needs, cost, and load profile. Moreover, this provision is anticompetitive with other geothermal and biomass resources, which could lead to unfair pricing and increased rates.

Due to the growth of CCAs in California, implementation of this bill as drafted disproportionately impacts CCAs that are actively procuring baseload and other RPS resources. Additionally, if IOUs are required to procure more baseload resources than they need, creating expensive stranded assets that would further increase costs for all customers.

Our opposition is based on the anticompetitive nature of requiring purchase of a specific resource, the disproportionate impact this bill would have on CCAs, and the grandfathering of contracts back to January 2017, which would advantage some electric providers over others. Please feel free to reach out should you have any questions.

Sincerely,



Beth Vaughan
Executive Director, CalCCA

Cc:

Assembly Member Dante Acosta (Vice Chair)

Assembly Member Ed Chau

Assembly Member Susan Talamantes Eggman

Assembly Member Heath Flora

Assembly Member Monique Limón

Assembly Member Kevin McCarty

Assembly Member Melissa A. Melendez

Assembly Member Mark Stone

Lawrence Lingbloom, Consultant, Assembly Natural Resources Committee



April 17, 2018

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Assemblymember Al Muratsuchi
Chair of Assembly Natural Resources Committee
State Capitol, Room 2179
Sacramento, CA 94249-0066

Re: AB 2726 (Levine) -- OPPOSE

CalCCA opposes AB 2726 because it would create a methodology for shifting greenhouse gas reporting from one based on measured data from power plants to one that removes all motivation for clean power programs.

If a consumption-based system for reporting greenhouse gas emissions were adopted, it would be disconnected from the actions of electric providers, which are responsible for purchasing diverse and cleaner sources of energy. Instead, it would shift toward a system in which the behavior of customers determines the reportable emissions. It would remove the primary value of electric providers for purchasing more renewable and low-carbon sources of energy than required by law, since they would not be able to report lower emissions due to the sources they pay to operate. Rather, the emissions of electric providers would be reported based on when their customers consume power.

Disconnecting emissions reporting from contracting for power sources is dangerous and was rejected in Europe because it is anti-competitive, harmful to voluntary clean power programs, and removes responsibility from the electric providers for their actions. Consumption-based reporting would have the unintended consequence of requiring that energy purchased from a coal plant outside California would have to be reported as zero emission if the customers it served consumed energy when hydropower was flowing into California.

Concerns about “resource shuffling” and “leakage” can be more easily addressed without harming ratepayers by ensuring all states require emissions reporting by all market participants who have sold green attributes to another party in WREGIS. If violations are found, they should be challenged for removal from WREGIS. Given the widespread adoption of RPS standards, this additional step would close the gap on both resource shuffling and leakage.

The bottom line is that this bill would harm clean power programs like community choice aggregations, drive up customer rates by shrinking the energy market, and set back California's climate goals.

Sincerely,



Beth Vaughan
Executive Director

Lawrence Lingbloom, Chief Consultant, Assembly Natural Resources Committee
Assembly Member Dante Acosta
Assembly Member Ed Chau
Assembly Member Susan Talamantes Eggman
Assembly Member Heath Flora
Assembly Member Monique Limón
Assembly Member Kevin McCarty
Assembly Member Melissa A. Melendez
Assembly Member Mark Stone
Assembly Member Marc Levine