

**VCE Community Advisory Committee
Leg/Reg Task Group Report
September 26, 2019**

Introduction

The first year of the 2019-2020 Legislative Session ended in the early hours of Saturday September 14. Attached is a summary of legislation that VCE was involved in, through our lobbyists, Pacific Policy Group.

Leg/Reg Task Group Process

Throughout the year, the Task Group, consisting of Yvonne Hunter and Lorenzo Kristov, met regularly with VCE Interim General Manager Mitch Sears and Pacific Policy Group (Mark Fenstermaker and Jacob Moss) to discuss key legislation that could impact CCAs in general and VCE specifically. Through recommendations to the CAC and subsequently the VCE Board of Directors, VCE took positions on several bills. Through PPG, VCE also engaged with CalCCA on these and other bills. PPG also monitored several other bills throughout the year on behalf of VCE.

The Task Group met every other Friday either in person or via conference call to discuss the legislation, proposed amendments being considered and the best strategy to pursue. Pacific Policy Group also kept us informed in between these meetings about the ongoing status of priority bills.

Next Steps

Later this fall, the Leg/Reg Task Group will meet with Mitch and PPG to debrief about the process used this year – looking at what worked, what could be improved and new ideas for 2020. We will also consider issues that are “two-year bills” (those that will continue from 2019 into 2020) as well as what new legislation might be on the horizon.

We welcome input from the CAC as we look to 2020 and beyond.

Valley Clean Energy End of 2019 Legislative Session Bill Report

Prepared by Pacific Policy Group

Priority Legislation

AB 56 (Garcia, Eduardo D) Electricity: procurement by the California Alternative Energy and Advanced Transportation Financing Authority.

Status: Held in Senate Energy, Utilities and Communications Committee and is considered a 2-year bill.

Position: Oppose – VCE submitted oppose letter

Summary: Would require the Public Utilities Commission to empower the California Alternative Energy and Advanced Transportation Financing Authority to undertake backstop procurement of electricity that would otherwise be performed by an electrical corporation to meet the state resource adequacy, integrated resource planning, and renewable portfolio standard goals not satisfied by retail sellers or load-serving entities. The bill would authorize the authority to undertake backstop procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would require the commission to periodically review the need for, and the benefits of, continuing to empower the authority to undertake backstop procurement responsibilities.

Position: Oppose

Notes: VCE, working with CalCCA, engaged in the stakeholder process on AB 56 in an attempt to have the bill amended to focus on residual Resource Adequacy. After AB 56 passed the Assembly, it was clear that the amendments VCE and CalCCA sought would not be incorporated into the bill and VCE submitted an oppose position letter on June 6, 2019. VCE lobbied against the bill as it was being considered in the Senate Energy, Utilities and Communications Committee, efforts that proved successful as the bill was held in committee.

AB 1054 (Holden D) Public utilities: wildfires and employee protection.

Status: Signed by Governor Newsom on July 12, 2019.

Position: None

Summary: Would establish the California Wildfire Safety Advisory Board consisting of 7 members appointed by the Governor, Speaker of the Assembly, and Senate Committee on Rules, as provided, who would serve 4-year staggered terms. The bill would require the board, among other actions, to advise and make recommendations related to wildfire safety to the Wildfire Safety Division or, on and after July 1, 2021, the Office of Energy Infrastructure Safety, as established pursuant to AB 111 or SB 111 of the 2019–20 Regular Session.

Notes: AB 1054 was the main energy bill of 2019 as it created the Wildfire Fund, which creates a pathway for Investor Owned Utilities to pay into and then access funds to pay

for wildfire damages. The bill also contains language that changes the definition of “change of control” of an IOU from to include municipalization efforts, which now must undergo a detailed analysis and approval by the PUC that adds additional barriers to municipalization efforts. VCE met with the Governor’s Office seeking a remedy to this new language as it will likely hinder VCE’s ability to municipalize.

AB 1362 (O'Donnell D) Electricity: load-serving entities: rate and program information.

Status: Passed the Legislature and awaiting Governor Newsom’s signature or veto.

Position: Neutral

Summary: Would require the Public Utilities commission to post, in a consolidated location on its internet website, residential electric rate tariffs and programs of electrical corporations, electric service providers, and community choice aggregators to enable customers and local governments to compare rates, services, environmental attributes, and other offerings. The bill would require this information to also be available and easily accessible on those electricity providers' internet websites. The bill would require each of those electricity providers to make available to the commission all information about its residential electric rate tariffs and programs.

Notes: VCE, through CalCCA, opposed the original language of AB 1362 as it sought to mandate CCA’s to comply with the code of conduct which applies to utilities who have shareholders that can assume costs for lobbying and marketing. The bill also sought to require the PUC to shall ensure that local government entities have full access to accurate information on the short- and long-term costs, benefits, and risks associated with implementation of a community choice aggregation program, including through communications with an IOU. Lobbying by VCE, CalCCA and other individual CCAs as the bill was being considered by the Assembly Utilities & Energy Committee convinced the committee to remove these problematic requirements. Once this language was amended out of the bill, CalCCA and VCE went neutral on the bill.

AB 1584 (Quirk D) Electricity: cost allocation.

Status: Passed the Legislature and awaiting Governor Newsom’s signature or veto.

Position: Neutral

Summary: Would require the Public Utilities Commission to develop and use methodologies for allocating electrical system integration resource procurement needs to each load-serving entity based on the contribution of that entity's load and resource portfolio to the electrical system conditions that created the need for the procurement. The bill would require the commission to develop and use methodologies for determining any costs resulting from a failure of a load-serving entity to satisfy its allocation of those procurement needs.

Notes: VCE, through CalCCA, opposed the original language of AB 1584 as it sought to impose new costs on LSEs for the integration of resources. CCAs worked with the author and with the Assembly Utilities & Energy Committee to amend the bill to clarify that the bill does not require procurement of a specific resource and other clarifying language that removed CCA opposition.

SB 155 (Bradford D) California Renewables Portfolio Standard Program: integrated resource plans.

Status: Passed the Legislature and awaiting Governor Newsom's signature or veto.

Position: Neutral – VCE had submitted an oppose letter

Summary: Current law requires the Public Utilities Commission to direct each retail seller to prepare and submit an annual report to the commission that includes specified information on the retail seller's compliance with requirements related to eligible renewable energy resource procurement. This bill would require the commission to review each annual compliance report filed by a retail seller, to notify a retail seller if the commission has determined, based upon its review, that the retail seller may be at risk of not satisfying the renewable procurement requirements for the then-current or future compliance period, and to provide recommendations in that circumstance regarding satisfying those requirements.

Notes: VCE submitted an oppose position letter on June 6, 2019, as did CalCCA and many other individual CCAs as the bill created confusion about the authority of the PUC to enforce procurement obligations of a CCA under an Integrated Resource Plan.

Amendments made on August 12 addressed VCE's concerns, and, accordingly, VCE submitted a letter on August 28 to remove VCE's opposition.

SB 350 (Hertzberg D) Electricity: resource adequacy: multiyear centralized resource adequacy mechanism.

Status: Held in Assembly Utilities & Energy Committee at the request of the author and is considered a 2-year bill.

Position: None

Summary: Would authorize the Public Utilities Commission to consider a multiyear centralized resource adequacy mechanism, among other options, to most efficiently and equitably meet specified resource adequacy objectives.

Notes: Senator Hertzberg was working with Assemblymember E. Garcia on how to create a central entity to procure RA. Neither VCE nor CalCCA opposed SB 350 as AB 56 was the main bill attempting to create this new policy. When AB 56 (Garcia) was held in Senate Energy, Utilities, and Conveyance Committee, Senator Hertzberg made SB 350 a 2-year bill.

SB 520 (Hertzberg D) Electrical service: provider of last resort.

Status: Passed the Legislature and awaiting Governor Newsom's signature or veto.

Position: CalCCA Oppose

Summary: The Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Under current law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. This bill would provide that the electrical corporation is the provider of last resort, as defined, in its service territory unless provided otherwise in a service territory boundary agreement approved by the commission pursuant to existing law or unless the commission

designates a load-serving entity, as defined, other than the electrical corporation to serve as the provider of last resort for all or a portion of that service territory pursuant to a joint application of the electrical corporation and the load-serving entity.

Notes: VCE, through CalCCA, remains opposed to SB 350 as the bill creates a situation in which only the IOUs will be Provider of Last Resort (POLR). VCE lobbied against the manner in which the bill proposes to allocate POLR costs and also the requirement that should a CCA want to be POLR that the CCA would have to first get the approval of the IOU who is currently POLR for the CCAs service territory and then jointly the CCA and IOU would apply to the PUC for the CCA to be designated as POLR. These arguments however did not convince legislators, even CCA friendly legislators, to vote against SB 350.

SB 550 (Hill D) Public utilities: merger, acquisition, or control of electrical or gas corporations.

Status: Passed the Legislature and awaiting Governor Newsom’s signature or veto.

Position: Neutral

Summary: Existing law prohibits a public utility, other than certain common carriers, from selling, leasing, assigning, mortgaging, or otherwise disposing of, or encumbering its assets that are necessary or useful in the performance of its duties to the public by any means with any other public utility, unless the public utility has secured an order from the commission to do so for a qualified transaction above \$5,000,000 or an approval from the commission through the filing of an advice letter for a qualified transaction at or below \$5,000,000. This bill would eliminate the requirement that the above-described transactions be with another public utility to be subject to those conditions on approval.

Notes: This bill is amending PUC Section 854, the same section that AB 1054 amended to require municipalization efforts to be reviewed by the PUC. VCE and other jurisdictions looking to municipalize met with Senator Hill to discuss the impacts of the “change of control” language in AB 1054 and see if a solution could be found. SB 550 was amended to have municipalization efforts once again to be reviewed by the PUC as had been done previously (PU Code Section 851), but with the addition to review that the transaction is fair and reasonable to affected public utility employees.

Monitored Legislation

AB 235 (Mayes R) Electrical corporations: wildfire victim recovery bonds.

Status: This bill never received a hearing and is considered a 2-year bill.

Position: Monitor

Summary: Would, under specific circumstances, authorize the Public Utilities Commission, upon application by an electrical corporation, to issue financing orders to support the issuance of wildfire victim recovery bonds by an electrical corporation or other financing entity to finance wildfire recovery costs, as provided. The bill would authorize the California Infrastructure and Economic Development Bank to act as a financing entity for these purposes, for wildfire victim recovery bonds totaling not more than \$20,000,000,000 at any one time. This bill contains other related provisions.

Notes: AB 235 is PG&E's legislative attempt to securitize its wildfire liabilities through the issuance of tax-exempt Wildfire Victim Recovery Bonds. AB 235 was one of the most talked about bills at the end of session despite never being scheduled for a committee hearing. The bill was put into print on September 6 so that it could be discussed and worked on during the fall interim and it is anticipated that PG&E will try to move the legislation during the 2020 session.

AB 1144 (Friedman D) Self-generation incentive program: community energy storage systems: high fire threat districts.

Status: Passed the Legislature and awaiting Governor Newsom's signature or veto.

Position: Monitor

Summary: Current law requires the Public Utilities Commission to require the administration, until January 1, 2026, of a self-generation incentive program to increase the development of distributed generation resources and energy storage technologies. Current law authorizes the commission, in administering the program, to adjust the amount of rebates and evaluate other public policy interests, including, but not limited to, ratepayers, energy efficiency, peak load reduction, load management, and environmental interests. This bill would require the commission, in administering the self-generation incentive program, to allocate at least 10% of the annual collection for the program in the 2020 calendar year for the installation of energy storage and other distributed energy resources for customers that operate critical facilities or critical infrastructure serving communities in high fire threat districts to support resiliency during a deenergization event.

Notes: AB 1144 is one of several bills related to public safety power shutoffs (PSPS) and microgrids. This bill will provide a portion of Self-Generation Incentive Program (SGIP) funds for storage projects at critical facilities such as hospitals or fire stations in high fire threat districts to provide resiliency during a PSPS event. Responding to PSPS events and building resiliency to PSPS and disaster events that interrupt power supply will be an ongoing topic in the Legislature.

SB 560 (McGuire D) Wildfire mitigation plans: deenergizing of electrical lines: notifications: mobile telephony service providers.

Status: Passed the Legislature and awaiting Governor Newsom's signature or veto.

Position: Monitor

Summary: Would require that the procedures for notifying a customer who may be impacted by the deenergizing of electrical lines by a local publicly owned electric utility, an electrical cooperative, or an electrical corporation direct notification to all public safety offices, critical first responders, health care facilities, and operators of telecommunications infrastructure with premises within the footprint of potential deenergization for a given event. The bill would require each electrical corporation to also include protocols for the deenergization of the electrical corporation's transmission infrastructure in the wildfire mitigation plan, for instances when the deenergization may impact customers who, and entities that, are dependent upon the infrastructure.

Notes: SB 560 was completely amended once the bill was in the Assembly to address the notification of customers of an IOU or Publicly Owned Utility (POU) PSPS event. The

bill expands the customers who are to be notified to include all public safety offices, critical first responders, health care facilities, and operators of telecommunications infrastructure.

SB 774 (Stern D) Electricity: microgrids.

Status: This bill stalled in the Assembly Utilities & Energy Committee and is considered a 2-year bill.

Position: Monitor

Summary: Would require each electrical corporation to collaborate with the Office of Emergency Services, and local governments and other interested parties in its service territory, to identify locations where sources of back-up electricity may provide increased electrical distribution grid resiliency. The bill would authorize electrical corporations to file applications with the commission to invest in, and deploy, microgrids to increase that resiliency, and would prohibit the PUC from approving microgrid applications that use a cost-recovery mechanism that recovers costs from all of an electrical corporation's ratepayers unless certain requirements are met.

Notes: SB 774 attempted to further policies that increase the market viability for microgrid deployment. The bill in print was known to not be a viable solution and Senator Stern held many stakeholder meetings, including with CCAs, to find a workable policy but one could not ultimately be reached. Microgrids and other distributed energy resource policies to provide solutions to PSPS events were negotiated until the final week of the legislative session but a final policy proposal never came to fruition. Microgrids and other PSPS solutions will continue to be worked on in the 2020 legislative session.