

Date of Hearing: June 27, 2022

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

SB 1020 (Laird) – As Amended May 23, 2022

SENATE VOTE: 30-8

SUBJECT: Clean Energy, Jobs, and Affordability Act of 2022

SUMMARY: Establishes the Clean Energy, Jobs, and Affordability Act of 2022 (Act), which establishes interim targets to ensure the state reaches the 100% clean energy goal in 2045; accelerates the date by which state agencies must achieve 100% clean energy use; and, establishes a California Affordable Decarbonization Authority (Authority) to administer the Climate and Equity Trust Fund (Trust Fund) to help fund efforts to reach these goals.

EXISTING LAW:

- 1) Requires, pursuant to the California Global Warming Solutions Act (AB 32, Núñez, Chapter 488, Statutes of 2006), the Air Resources Board (ARB) to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to adopt rules and regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions.
- 2) Requires ARB to approve a statewide GHG limit equivalent to the statewide GHG emissions level in 1990 to be achieved by 2020 and to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030.
- 3) Designates ARB as the state agency responsible for monitoring and regulating sources emitting GHGs. Requires ARB to prepare and approve a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in GHG emissions and to update the scoping plan at least once every five years. Requires ARB to conduct a series of public workshops to give interested parties an opportunity to comment on the plan and requires a portion of those workshops to be conducted in regions of the state that have the most significant exposure to air pollutants, including communities with minority populations, communities with low-income populations, or both.
- 4) Establishes it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of all retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045 (SB 100 De León, Chapter 312, Statutes of 2018).
- 5) Creates the Renewable Portfolio Standard (RPS), which requires electricity providers to ensure that at least 50% of the electrical load comes from renewable energy by December 31, 2026, and at least 60% by December 31, 2030.
- 6) Establishes the California Independent System Operator (CAISO) as a nonprofit public benefit corporation and requires the CAISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria.

- 7) Requires the California Energy Commission (CEC), in consultation with the California Public Utilities Commission (PUC), CAISO, transmission owners, users, and consumers, to adopt a strategic plan for the state's electrical transmission grid to ensure reliability, relieve congestion, and meet future growth in load and generation.
- 8) Requires the CEC, in consultation with the PUC, CAISO, transmission owners, users, and consumers, to adopt a strategic plan for the state's electrical transmission grid using existing resources in order to identify and recommend actions required to implement investments needed to ensure reliability, relieve congestion, and meet future growth in load and generation.

THIS BILL:

- 1) Establishes the following interim targets to reaching the statewide 100% clean energy by 2045 goal established under SB 100 (De Leon, Chapter 312, Statutes of 2018):
 - a) By December 31, 2035, 90% of all retail sales of electricity to end-use customers in California to come from eligible renewable energy resources and zero-carbon resources.
 - b) By December 31, 2040, 95% of all retail sales of electricity to end-use customers in California to come from eligible renewable energy resources and zero-carbon resources.
- 2) Accelerates the 100% clean energy goal for electricity procured to serve state agencies from December 31, 2045, to December 31, 2030. Specifies that the goal must be achieved by the state agencies, except for the State Water Resources Development System (State Water Project), with the following methods:
 - a) Installing zero-carbon resources or eligible renewable energy resources on state-owned or state-leased buildings to serve the state agency's onsite load; or
 - b) Procuring zero-carbon resources or eligible renewable energy resources through the local publicly owned electric utility (POU) or load-serving entity (LSE) providing retail service to the state agency.
- 3) Requires new procurement commitments made on behalf of a state agency, except the State Water Project, by its LSE or POU after June 1, 2022, to meet various requirements including that the resource be located in California and interconnected in front of a customer meter, constructed with contractors using multi craft project labor agreements, and be newly developed.
- 4) Requires new procurements made for the State Water Project after February 1, 2022, to meet various requirements including that the resources be located within California and interconnected in front of a customer meter, benefit from expedited interconnection from the balancing authority, and use multi craft project labor agreements for construction. Requires the Department of Water Resources (DWR) to invite other electrical corporations, community choice aggregators, electrical service providers, and POUs to voluntarily subscribe to its procurement commitments.

- 5) Requires the PUC and CEC to jointly authorize the establishment of the Authority as a nonprofit public benefit corporation. The Authority shall be governed by an independent board of directors comprised of three members appointed by the Governor, subject to Senate Confirmation, two members by the Speaker of the Assembly, and two members by the Senate Rules Committee. The Authority would be required to maintain open meeting standards and meeting notice requirements consistent with the Bagley-Keene Open Meeting Act and the California Public Records Act.
- 6) Establishes the Trust Fund to consist of monies including, but not limited to, from the federal government, the Greenhouse Gas Reduction Fund (GGRF), noncompliance penalties assessed by the CEC, PUC, or ARB. The Trust Fund shall be used to the benefit of electricity customers and to promote affordable electricity rates.
- 7) Requires the Authority to submit annual and multiyear spending plans to the CEC and PUC that identify proposed disbursement to support affordable electricity for end-use customers of POU's and LSEs and to pay for operational costs. Disbursements may include direct credits on ratepayer bills, direct rebates or incentives, and reimbursements for LSE or POU's to be used for required matching funds.
- 8) Authorizes disbursements from the Trust Fund to include direct credits on ratepayer bills; direct rebates or incentives to market participants, technology vendors, technology installers, and end-use customers; and, reimbursement of eligible costs incurred by LSEs or POU's in the form of matching funds.
- 9) Specifies eligible costs for reimbursement include transportation electrification programs and incentives, building electrification programs and incentives, public purpose programs, programs to promote equity and affordability for low-income customers, wildfire mitigation activities, distributed energy resource incentives, administrative and overhead costs, and any other purpose specified by the Legislature in a General Fund appropriation of money to the Authority.
- 10) Directs DWR to invite all electrical corporations, community choice aggregators, electric service providers, and POU's to voluntarily subscribe to its procurement commitments. A subscription shall be made available at the DWR's cost.
- 11) Specifies all resources procured by DWR shall first meet DWR's own electricity needs, except for procured resources subject to a voluntary subscription. Additional procured resources shall meet the accelerated zero-carbon resource targets of other state agencies.
- 12) Modifies, with respect to the provision that a portion of the Scoping Plan workshops be conducted in regions of the state that have the most significant exposure to air pollutants, the above-described communities to include areas designated as federal extreme nonattainment.
- 13) Authorizes the PUC and CEC, upon request of CAISO, to disclose to the CAISO confidential information relating to power purchase agreements with electric generation and energy storage projects for purposes of transmission planning.

FISCAL EFFECT: According to the Senate Appropriations Committee, this bill will result in approximately \$3.5 billion in costs, of which, more than \$100 million would be annual, ongoing

costs. These include over \$3.3 billion estimated for DWR to procure zero carbon resources by 2030. DWR notes these costs would be in excess of costs to achieve SB 100 by the current 2045 deadline. Additional unknown impacts would arise from the state's role as an electrical utility ratepayer.

COMMENTS:

1) **Author's statement:**

The Senate Workgroup on Climate has worked collaboratively to find common ground on impactful climate solutions, so we can truly focus on the work that must be done to address the looming peril of climate change. As someone who represents so much of California's coast, it's apparent that sea level rise and ocean acidification are already impacting infrastructure and ocean ecology. Severe water shortages from drought also weigh heavily on our most vulnerable communities.

- 2) **100%.** SB 100 established the 100 Percent Clean Energy Act of 2018, which increased the state's RPS standard to 60% by 2030 and 100% RPS-eligible and zero-carbon by 2045. This bill sets interim targets to ensure early progress in reaching these goals. California is not on track to reach the 2030 limit for GHG reductions established by SB 32 (Pavley), and the latest assessment report from the Intergovernmental Panel on Climate Change (IPCC) on Mitigation of Climate Change, approved on April 4, 2022, states that GHG emissions must peak by 2025 and reduce by 43% by 2030 to limit warming to around 1.5°C and avoid the most devastating impacts of climate change. Accelerating the clean energy interim targets would help the state achieve its own GHG reduction targets in a manner that is also consistent with the IPCC's findings.

SB 100 also required ARB, CEC, and PUC to issue a joint report by January 1, 2021, and at least every four years thereafter, that describes the costs and benefits to customer rates, as well as, barriers to achieving the SB 100 policy. The joint agency report was finalized on March 15, 2021, and states it is "intended to be a first step in an iterative and ongoing effort to assess barriers and opportunities to implementing the 100% clean electricity policy."

- 3) **State Water Project.** The State Water Project (SWP), operated by DWR, is both a major producer and consumer of electricity. As the largest single consumer of electricity in California, the SWP uses electricity to operate pumping plants that deliver water throughout the state. The SWP has a power portfolio consisting of 65% carbon-free resources, increasing to 75% by 2030 and 100% by 2045. According to DWR, approximately 50% of the SWP's power is provided by its own emission-free hydroelectric generation. The remainder is made up of approximately 20% contracted renewable resources, 25% CAISO market purchases, and 5% from a contract with a natural gas facility in Lodi, CA.
- 4) **State agency energy use.** California is an electric utility customer, purchasing roughly 1% of the state's electricity. As such, the state incurs costs when electricity rates increase or realizes savings when rates go down). While the SWP is the single largest consumer of electricity, the electricity usage of the remaining state agencies is not insignificant. The Department of General Services (DGS), which serves as the state's business manager and operates most state buildings, reports electricity usage for all executive branch departments in 2018 was approximately 1,200 gigawatt hours (GWh). Of these, approximately 148 GWh were served by onsite renewables and 83 GWh by offsite renewables, such as through Sacramento

Municipal Utility District's (SMUD) SolarShares program. Of the state agencies outside of the SWP, DGS itself and the Department of Corrections were the largest electricity consumers. These state agencies are ratepayers to many LSEs and POU's throughout the state, notably SMUD which serves the Capitol and surrounding agency buildings, but also Pacific Gas & Electric, Los Angeles Department of Water and Power, Southern California Edison, and San Diego Gas and Electric, to name the major utilities.

- 5) **What funds the trust fund?** This bill allows the Trust Fund to receive monies from multiple sources including federal funds, penalty monies, and GGRF. However, whether any of these sources are actually appropriated into the Trust Fund would presumably be left to the budget process. Creating a spending plan as required by this bill for a funding source that is uncertain and inconsistent may be challenging.
- 6) **The Authority or the budget process?** This bill would establish the Authority, a 501(c)(3) organization run by seven members, some of whom are appointed by the Legislature, to create a funding plan for the Trust Fund. However, many of the potential uses of the Trust Fund are to reimburse eligible costs by LSEs or POU's for a number of activities that the state budget makes direct investments in, including wildfire mitigation activities, transportation electrification, and building electrification. The funding source for these direct investments may be the same sources that fund the Trust Fund. For example, building electrification efforts may receive GGRF funds directly from the state budget and then also from the Authority, using the GGRF money deposited into the Trust Fund. This may result in the same building electrification program receiving funding twice from the same funding source. It is unclear how the Authority's spending plan would ensure alignment with the budget decisions made by the Legislature and the Governor in the budget process.
- 7) **Double referral.** This bill was heard by the Assembly Utilities and Energy Committee on June 22 and passed by a vote of 12-0.

REGISTERED SUPPORT / OPPOSITION:

Support

Central Coast Community Energy
 Central Coast Energy Services
 Elders Climate Action, NorCal and SoCal Chapters
 Marin Clean Energy
 Offshore Wind California
 San Diego Gas & Electric
 Sonoma Clean Power
 The Utility Reform Network (TURN)

Opposition

Animal Legal Defense Fund
 California Environmental Justice Alliance
 CEJA Action
 Center for Food Safety
 Clean Water Action
 Community Water Center

Food & Water Watch
Leadership Counsel for Justice and Accountability
Western Electrical Contractors Association

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