

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 25, 2021
10:30 a.m.
State Capitol - Room 4203

Consultant: James Hacker

PART A

PROPOSED FOR VOTE-ONLY

| <u>Item</u> | <u>Department</u> | |
|----------------|--|---|
| Various | Various Departments | |
| Issue 1 | Investments to Reach the State's Energy Goals | 3 |
| 3360 | California Energy Commission | |
| Issue 2 | Energy Resources Program Account | 4 |
| Issue 3 | Implementation of AB 841 | 4 |
| Issue 4 | AB 841 Contract Authority | 4 |
| Issue 5 | Reauthorization of the Clean Transportation Program | 5 |
| 8660 | California Public Utilities Commission | |
| Issue 6 | Reauthorization of Appropriation for CPUC Response to Utility Bankruptcy | 5 |
| Issue 7 | Accounts Receivable Unit | 5 |
| Issue 8 | Wildfire Forecast and Threat Intelligence Integration Center (SB 209) | 5 |
| Issue 9 | Transfer of Wildfire Safety Division | 6 |
| Issue 10 | Public Purpose Program Loan Authority | 6 |
| Issue 11 | Golden State Energy | 7 |
| Issue 12 | LifeLine Program | 7 |
| 0509 | Governor's Office of Business and Economic Development | |
| 3360 | California Energy Commission | |
| 3900 | California Air Resources Board | |
| Issue 13 | Zero Emission Vehicle Proposals | 7 |

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ISSUES PROPOSED FOR VOTE-ONLY

0540 OCEAN PROTECTION COUNCIL
0690 OFFICE OF EMERGENCY SERVICES
3360 CALIFORNIA ENERGY COMMISSION
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE
3720 CALIFORNIA COASTAL COMMISSION
8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 1: Investments to Reach the State’s Clean Energy Goals

Governor’s Proposal. The May Revision includes \$912 million (\$905 million General Fund, \$5 million reimbursements, and \$2 million special funds) intended to accelerate California’s progress on meeting its clean energy goals. This includes:

- \$35 million General Fund to carry out critical resource and transmission planning to support the unprecedented levels of clean energy buildout needed to meet the state’s energy and climate goals related to SB 100 (de Leon), Chapter 312, Statutes of 2018.
- \$350 million General Fund to support pre-commercial long duration storage projects that are critical to the success of California’s efforts to decarbonize the electricity system.
- \$250 million General Fund for energy efficiency in the industrial sector.
- \$125 million General Fund in the Food Production Investment Program to reduce energy use at food production facilities.
- \$20 million General Fund to spur environmentally responsible development of offshore wind energy.
- \$110 million General Fund in green hydrogen production to accelerate the transition away from using fossil fuels to produce hydrogen and to displace the use of gas at power plants.
- \$20 million General Fund for Emergency Preparedness activities related to energy, including funding for planning, Flex Alerts, and for operational observers at investor-owned utilities.

While there is merit in this proposal, additional detail is required before the legislature acts on the largest components.

Staff Recommendation: Approve \$35 million General Fund for implementation of SB 100. Approve \$20 million General Fund for activities related to offshore wind development. Approve \$11.5 million for emergency preparedness activities.

Defer action on \$835 million for a variety of clean energy research, development, and deployment activities for later consideration. Defer action on \$8.7 million for operational observer contracts.

3360 CALIFORNIA ENERGY COMMISSION

Issue 2: Energy Resources Program Account

Governor's Proposal. The May Revision proposes to raise the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to apply to behind-the-meter electricity consumption. ERPA is the main fund supporting the CEC. Its revenues are linked to the sale of metered electricity. As building and appliance energy efficiency produces customer savings and flattens statewide electricity consumption, ERPA revenues have decreased and the costs have been borne by fewer and fewer consumers. This increase is projected to generate \$4.5 million in additional revenues in 2021-22 and approximately \$9 million annually thereafter.

While the ERPA is fiscally constrained, the state's fiscal condition allows for additional funding from other sources in the near term. As such, these changes should be considered at a later date.

Staff Recommendation: Reject the proposed trailer bill language.

Issue 3: Implementation of AB 841

Governor's Proposal. The budget includes \$3.74 million and 23.6 positions to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020. The budget also includes trailer bill language establishing a fund for AB 841 resources and providing a continuous appropriation to CEC for those funds.

Staff Recommendation: Approve \$3.74 million and 23.6 positions to implement AB 841. Approve trailer bill language establishing a fund for AB 841 resources and providing a continuous appropriation to CEC for those funds, and including annual reporting requirements.

Issue 4: AB 841 Contract Authority

Governor's Proposal. The May Revision also included \$250,000 per year in 2021-22, 2022-23 and 2023-24, for a total request of \$750,000 in contract authority from the School Energy Efficiency Program Fund to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020. Contract authority will support a maintenance and operations vendor for the IT system needed to implement AB 841.

Staff Recommendation: Approve \$250,000 per year for three years for contract authority related to AB 841.

Issue 5: Reauthorization of the Clean Transportation Program

Governor’s Proposal. The January budget included trailer bill language extending certain transportation-related fees, securitizing the resulting revenue, and administering grant programs for charging or fueling infrastructure via the CEC’s Clean Transportation program. The May Revision maintained the fee extension language but dropped the securitization, opting instead to fund zero-emission vehicle infrastructure with General Fund resources.

The existing fees currently do not sunset until 2024. As such, these fee extensions should be considered at a later date.

Staff Recommendation: Reject the proposed trailer bill language.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION COMMISSION

Issue 6: Reauthorization of Appropriation for CPUC Response to Utility Bankruptcies

Governor’s Proposal. The May Revision includes \$7,500,000 one-time funding to reauthorize resources to support CPUC’s ability to respond to utility bankruptcies. These funds were originally appropriated in 2019-20 for three years, but due to technical oversight were only available for expenditure for one year. This action would address this issue and authorize expenditures through fiscal year 2021-22.

Staff Recommendation. Approve as Budgeted.

Issue 7: Accounts Receivable Unit

Governor’s Proposal. The May Revision includes \$314,000 ongoing to strengthen CPUC’s Accounts Receivable Unit to address findings from a recent audit. In 2020, at the CPUC’s request, Office of State Audits and Evaluations (OSAE) performed a performance audit of the CPUC’s Accounts Receivable workbook as of June 30, 2019 to evaluate whether it was accurate, complete, and in compliance with applicable laws, regulations, policies, and accounting standards. The findings and recommendations were released to the CPUC on February 1, 2021, and identified a number of shortcomings and issues. These resources are intended to address the identified issues.

Staff Recommendation. Approve as Budgeted.

Issue 8: Wildfire Forecast and Threat Intelligence Integration Center (SB 209)

Governor's Proposal. The May Revision includes \$191,000 ongoing and one position to implement the Wildfire Forecast and Threat Intelligence Integration Center, as authorized by SB 209 (Dodd), Chapter 405, Statutes of 2019. This will fund one position at PUC to staff the Wildfire Forecast and Threat Intelligence Center year-round, as required by SB 209.

Staff Recommendation. Approve as Budgeted.

Issue 9: Transfer of Wildfire Safety Division

Governor's Proposal. The May Revision includes a decrease of \$10,568,000 and 32 positions ongoing to reflect the transfer of the Wildfire Safety Division to the new Office of Energy Infrastructure Safety, as required by AB 111 (Committee on Budget), Chapter 81, Statutes of 2019.

Staff Recommendation. Approve as Budgeted.

Issue 10: Public Purpose Program Loan Authority

Governor's Proposal. The May Revision includes budget bill language and statutory changes to provide for loans between the telecommunications Public Purpose Programs to prevent insolvencies arising from the continued decline of intrastate revenues. This would allow for three loans all from the available fund balance of High Cost Fund-B to the California Teleconnect Fund (\$52m loan), Deaf and Disabled Telecommunications Program (\$25m loan), and the High Cost Fund A Program (\$7m loan) to prevent insolvencies anticipated in the budget year in all three programs due to the continued decline of intrastate revenues.

It is unclear when these funds require this transfer, or how this proposal interacts with the Administration's larger broadband proposal.

Staff Recommendation. Defer action on proposed trailer bill language for later consideration.

Issue 11: Golden State Energy

Governor's Proposal. The May Revision includes trailer bill language to prevent the Secretary of State from reserving the name Golden State Energy for any entity other than the one created in existing law.

This would reserve the name “Golden State Energy” for the utility created by SB 350 (Hill), Chapter 27, Statutes of 2020. Currently the Administration must reserve the name every 60 days with the Secretary of State. This language would keep the name Golden State Energy available in case it is needed for the statutorily created entity.

Staff Recommendation. Approve as Proposed.

Issue 12: Lifeline Program

Governor’s Proposal. The January budget included \$398,038,000 for fiscal year 2021-22 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities (Pub. Util.) Code section 871 et seq. This included \$371,576,000 for local assistance funding to reimburse claims from participating service providers that offer discounted phone service to program participants, and \$26,462,000 for state operations funding to administer the Program.

The May Revision included an increase of \$5,119,000 ongoing for State Operations and a decrease of \$2,867,000 ongoing in local aid to reflect new caseload projections and an extension of COVID-19 Pandemic service protections in the LifeLine program. This results in total program funding of:

- \$368,709,000 for local assistance funding to reimburse claims from participating service providers that offer discounted phone service to program participants.
- \$32,683,000 for state operations funding to administer the Program.

Staff Recommendation. Approve as Proposed.

0509 GOVERNOR’S OF BUSINESS AND ECONOMIC DEVELOPMENT
3360 CALIFORNIA ENERGY COMMISSION
3900 CALIFORNIA AIR RESOURCES BOARD

Issue 13: Zero Emission Vehicle Proposals

Governor’s Proposal. The January budget included \$435 million in one-time Greenhouse Gas Reduction Fund (GGRF) resources for clean vehicle programs that focus on low-income Californians and reducing air pollution from heavy-duty vehicles in disadvantaged communities, including: o \$150 million for Clean Cars 4 All and Transportation Equity Projects that include efforts to scrap and replace older, high-polluting cars, low-income car share programs, and vanpools for agricultural workers, among others.

The May Revision includes an additional \$826 million above the January Budget for Zero Emission Vehicles (ZEVs) and ZEV infrastructure. This brings total proposed investments in ZEVs and ZEV infrastructure to \$1.8 billion in 2021-22, and \$3.2 billion over three years. Major investments include:

- ZEV Infrastructure - The May Revision maintains the extension of existing fees which are necessary for providing a sustainable funding source for priority programs that were proposed in January, but replaces the securitization of future revenues with \$500 million one-time General Fund to support the CEC's Clean Transportation Program.
- Heavy-Duty Zero Emission Vehicles and Supporting Infrastructure—\$1.4 billion one-time General Fund and special funds over the next three years to deploy over 1,000 zero emission drayage trucks, 1,000 zero emission transit buses, and 1,000 zero emission school buses in underserved rural school districts. These investments will prioritize projects that directly benefit priority populations and improve air quality in low-income and disadvantaged communities. This funding builds on \$315 million included in the Governor's Budget for Clean Truck, Bus, and Off-Road Equipment.
- Light-Duty Zero Emission Vehicle Adoption—\$650 million one-time General Fund over the next three years to invest in consumer adoption of ZEVs through the Clean Vehicle Rebate Program and statewide expansion of Clean Cars 4 All, with a focus on low-income and disadvantaged communities. This funding is in addition to \$150 million provided in the Governor's Budget Cap and Trade Expenditure Plan.
- Zero Emission Vehicle and Infrastructure Manufacturing—\$250 million General Fund one-time over two years for manufacturing and supply chain grants to expand California's nation leading ZEV manufacturing footprint, administered by the Clean Transportation Program. This investment may be coupled with High Road Training Partnerships to increase access to high-quality jobs for workers, and increase the level of highly-skilled employees for employers.
- ZEV Market Development Strategy Implementation—\$5 million one-time General Fund to accelerate implementation of the ZEV Market Development Strategy's focus on increasing awareness and access to ZEVs in the hardest to reach communities and expanding tools that help convert this awareness into decisions to drive or ride in ZEVs.

While there is merit in these proposals, they should be considered in the context of the legislature's broader actions on climate and clean energy.

Staff Recommendation. Reject \$5 million for the ZEV Market Development Strategy. Defer action on the remaining \$1.79 billion for a variety of zero-emission vehicle related issues for later consideration.