SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Steven Bradford, Chair
2023 - 2024 Regular

Bill No:	AB 2661	**Hearing Date:**	7/2/2024
Author:	Soria		
Version:	5/16/2024 Amended		
Urgency:	No	**Fiscal:**	No
Consultant:	Nidia Bautista		

SUBJECT: Electricity: Westlands Water District

DIGEST: This bill authorizes the Westlands Water District (Westlands) to own electric generation, storage, and transmission facilities within the district and sell the output to public or investor-owned utilities (IOUs) for sale to retail customers.

ANALYSIS:

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electric IOUs and transmission owners providing intrastate transmission services. (Article XII of the California Constitution)

2) Authorizes the CPUC to supervise and regulate every public utility, including electrical corporations, and to do all things that are necessary and convenient in the exercise of that power and jurisdiction. (Public Utilities Code §201 *et seq*. and §701)

3) Requires retail sellers and publicly owned utilities (POUs) to increase purchases of renewable energy such that at least 60 percent of retail sales are procured from eligible renewable energy resources by December 31, 2030. This is known as the Renewables Portfolio Standard (RPS). (Public Utilities Code §399.11 *et seq*.)

4) Establishes it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers by December 31, 2045. (Public Utilities Code §454.53)

5) Provides, as part of the California Water District Law, for the establishment of water districts and authorizes a district to construct, maintain, and operate plants

for the generation of hydroelectric energy and transmission lines for the conveyance of the hydroelectric energy. (Water Code §35770)

6) Merged the former West Plains Water Storage District into the Westlands, and provides for the operation of the Westlands. (Water Code §37820)

This bill:

1) Authorizes the Westlands to provide, generate, and deliver solar photovoltaic (PV) or hydroelectric electricity and to construct, operate, and maintain works, facilities, improvements, and property necessary or convenient for generating and delivering that electricity.

2) Requires the Westlands to use the electricity for the Westland's own purposes and authorizes Westlands to sell surplus electricity to a public or private entity engaged in the distribution or sale of electricity.

3) Authorizes the Westlands to construct, operate, and maintain energy storage systems and electric transmission lines, and to construct, operate, and maintain works, facilities, improvements, and property necessary or convenient for the operation of the energy storage system and electric transmission lines, within the boundaries of the district, as specified.

4) Requires the Westlands to report the amount of income, and the purposes for expenditure of that income, from these electricity facilities in a specified report.

5) Makes legislative findings and declarations as to the necessity of a special statute for Westlands.

Background

Westlands Water District. The Westlands is the largest agricultural water district in the United States, by irrigable acres, consisting of more than 1,000 square miles of land in Fresno and Kings Counties which provides water primarily to farms and rural communities on the west side of Fresno and Kings for more than seven decades. The Westlands has federal contracts to provide water to 700 family-owned farms that average 875 acres in size and produce $1 billion worth of agricultural crops. The Westlands Board of Directors are comprised of nine members each of whom is a district landowner or designated or legal representative of a landowner. Board elections are held every two years, and Directors are elected to four-year terms of office. Each landowner in the District is allowed one vote for each dollar's worth of land to which he/she holds title.

Agriculture lands becoming fallowed. Water is delivered to Westlands from the Central Valley Project (CVP) which pumps water from Northern California. Before Westlands began receiving CVP water, farmers on the west side of the San Joaquin Valley relied on groundwater pumping. This dependence led to severe overdrafts, widespread land subsidence and other environmental damage. Westlands' water supply has decreased since a drought that began in 1986. Drought conditions as well as environmental regulations have led the U.S. Bureau of Reclamation, who operates the CVP, to reduce the amount of water it delivers to Westlands. Currently, Westlands expects to receive only about 50 percent of its contractual water supply in an average water year.

According to Westlands, "over the last ten years inadequate and unpredictable water supplies have forced in any given year more than 100,000-200,000 acres – approximately 36 percent of Westlands' farmland – out of production. Further, available annual water supplies are declining under the implementation of the Sustainable Groundwater Management Act, resulting in more land being retired from irrigated agriculture."

Special districts who can generate electricity. State law allows nine kinds of special districts to generate or provide electricity:

- California water districts;
- County water districts;
- Municipal water districts;
- Community services districts;
- Public utility districts;
- Irrigation districts;
- Resort improvement districts;
- Municipal utility districts; and
- Water conservation districts.
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California water districts are limited to hydroelectric generation that comes from using the hydraulic force of the water to generate electricity. County water districts and municipal water districts can generate power using any fuel source. However, they are limited to generating power for their own purposes as a water agency and can't sell retail electricity, but they can sell surplus electricity to other utilities that distribute or sell electricity.

Integrated Resource Planning (IRP) framework. The CPUC developed the IRP process pursuant to SB 350 (De León, Chapter 547, Statutes of 2015). IRP provides the umbrella process by which the CPUC oversees long-term procurement for its regulated load-serving entities (E.g., electrical corporations, community choice

aggregators, and electric service providers), which serve approximately 75 percent of the state. This process ensures that California's electric sector meets its greenhouse gas (GHGs) reduction goals while maintaining reliability at the lowest possible costs. The IRP runs on a two-year cycle, and forecasts system need 10 years into the future. In February 2024, the CPUC adopted a decision in its integrated resource planning that meets a statewide 25 million metric ton (MMT) GHG target for the electric sector by 2035 (CPUC Decision 24-02-047 of Rulemaking 20-05-003). The decision represents the most aggressive *end of the range identified by California Air Resources Board (CARB), and has identified* 56,000 megawatts of clean new resources are needed by 2035. The CPUC also recommended to the California Independent System Operator that the resource portfolio achieving the 25 MMT GHG goal be the foundation for planning transmission investments – utilized as both the reliability base case and the policy-driven base case for study in its 2024-2025 Transmission Planning Process. This GHG target will further expand on the need for additional energy resources, especially renewable energy, to help the state meet its climate and clean energy goals.

Comments

Need for this bill. The author notes: "To combat the impacts of climate change, California has set ambitious goals to increase the use of clean energy. California's Public Utilities Commission estimates that the state will need over 40,000 megawatts of new renewable energy to meet these goals. The Central Valley is in a unique position to help meet this need through the construction of new solar generation facilities and the transmission lines needed to deliver it to the grid. Unfortunately, Major high voltage transmission can take nearly a decade from approval to operation. AB 2661 aims to accelerate solar power and transmission development in the Central Valley, tapping into tens of thousands of megawatts of renewable energy, to help meet our state's clean energy goals."

Authorizes Westlands and energy. This bill would authorize Westlands to generate electricity, build transmission and energy storage, and enter the wholesale power business. Specifically, the bill authorizes Westlands to generate solar PV electricity and specifies that electricity must be for its own use, but then provides discharged energy from energy storage and any surplus electricity generated from solar PV can be sold to other utilities. Westlands wants this authority to start planning a transition for some land within its boundaries away from farming crops to farming solar. As farmland goes out of production, it can have various negative effects on local communities, including a loss of jobs, poor air quality, and other environmental harms. Converting farmland to land with solar PV facilities and leased transmission has the potential to ameliorate some of these negative effects by

creating an opportunity for revenue generation for the owners of the land. AB 2661 potentially makes deploying additional solar PV facilities easier by allowing Westlands to construct them, along with the transmission lines needed to deliver energy.

Dual referral: This bill passed out of the Senate Committee on Local Government by a vote of 7-0 on June 11, 2024.

Prior/Related Legislation

SB 1755 (Soto, Chapter 848, Statutes of 2002) authorized municipal water districts and county water districts to own and operate electric power plants whether hydroelectric or otherwise; states power generated from these plants may be used for the district's own purposes; and authorizes surplus power may be sold to any public or private entity that sells electricity.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT:

California State Association of Electrical Workers, Co-sponsor
Coalition of California Utility Employees, Co-Sponsor
Agricultural Council of California
Agricultural Energy Consumers Association
Almond Alliance
California Avocado Commission
California Association of Local Agency Formation Commissions
California Citrus Mutual
California Cotton Ginners & Growers Association
California Manufacturers & Technology Association
California Walnut Commission
Central Valley Business Federation
Cities of: Avenal, Coalinga, Hanford, and San Joaquin
Dairy Institute of California
Golden State Clean Energy, LLC
Harris Farms, Inc.
Kings River Conservation District
Kings River Water Association
Regenerate California Innovation, Inc.
Santa Clara Valley Water District
Self-Help Enterprises
Western Agricultural Processors Association

Western Growers Association
Westlands Water District

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: Westlands Water District states:

> AB 2661 is critical for the planning and development of up to 30,000 megawatts of renewable energy in the San Joaquin Valley by aiding in the deployment of transmission lines and by allowing state water districts to own and operate energy storage, generation, and transmission facilities. This would empower districts like Westlands to use this clean electricity for our water operational needs, thus reducing the cost of water to end customers. AB 2661 would also grant state water districts the authority to sell any excess electricity to other public or private entities that deal in electricity distribution or sales. Importantly, AB 2661 does not allow a water district to serve end-use retail customers other than the district's own uses. We urge the passage of AB 2661 because it offers farmers a viable solution for repurposing SGMA-impacted and non-irrigable lands while helping the state meet its clean energy goals, sustaining jobs, and bringing new investment to the San Joaquin Valley. AB 2661 will tap into the significant potential of the San Joaquin Valley for solar, energy storage, and transmission while giving a second life to lands that are no longer irrigated due to inadequate water supply.

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