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**SENATE COMMITTEE ON ENERGY, UTILITIES AND  
COMMUNICATIONS**

**Senator Ben Hueso, Chair**

**2019 - 2020 Regular**

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<b>Bill No:</b>	SB 155	<b>Hearing Date:</b>	4/24/2019
<b>Author:</b>	Bradford		
<b>Version:</b>	3/27/2019 As Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Nidia Bautista		

**SUBJECT:** California Renewables Portfolio Standard Program: integrated resource plans

**DIGEST:** This bill makes specified requirements concerning the plans for energy procurement by entities within the jurisdiction of the California Public Utilities Commission (CPUC).

**ANALYSIS:**

Existing law:

- 1) Establishes the CPUC) has regulatory authority over public utilities, including electrical corporations. (California Constitution, Article XII)
- 2) Defines “load-serving entity” to mean an electrical corporation (also known as an IOU), energy service provider (ESP) or Community Choice Aggregator (CCA). Requires the CPUC, in consultation with the California Independent System Operator (CAISO), to establish resource adequacy requirements for all load-serving entities (LSEs). (Public Utilities Code §380)
- 3) Authorizes customers of an IOU to aggregate their electric loads as members of their local community with CCAs. Designates a CCA as solely responsible for all generation procurement activities on behalf of the CCA’s customers, except where other generation procurement arrangements are expressly authorized by statute. (Public Utilities Code §366.2)
- 4) Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)
- 5) Establishes a renewables portfolio standard (RPS) and requires all retail sellers, including IOUs, ESPs, and CCAs, to procure a minimum quantity of electricity products from eligible renewables energy resources, as defined, so that total

kilowatt hours of those products sold to their retail end-use customers achieves 25 percent of retail sales by December 31, 2016, 33 percent by December 31, 2020, 44 percent by December 31, 2024, 52 percent by December 31, 2027, and 60 percent by December 31, 2030. (Public Utilities Code §399.15)

- 6) Requires the CPUC to adopt a process for each LSE, defined as IOU, ESP, or CCA, serving end-use customers in the state, to file an integrated resource plan (IRP) and a schedule for a periodic updates to the plan to ensure that LSEs accomplish specified objectives. Requires each LSE to prepare and file an IRP consistent with those objectives on a time schedule directed by the CPUC and subject to CPUC review. (Public Utilities Code §454.52)
- 7) Requires that the IRP of each LSE contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy resources in a cost-effective manner, meets the emissions reduction targets for greenhouse gases (GHG) established by the State Air Resources Board (ARB) for the electricity sector, and prevents cost shifting among LSEs. (Public Utilities Code §454.54)

This bill:

- 1) Authorizes the CPUC to audit any retail seller to assess its compliance with the program's RPS procurement requirements for the current or any prior compliance period and to issue mandates and recommendations to ensure sufficient corrective action is taken to achieve full compliance with those procurement requirements.
- 2) Requires the CPUC to ensure that LSEs do what is required to be done by their IRP, and to enforce, as if it were a requirement in the plan, a requirement that at least 65 percent of the procurement that a retail seller counts toward the RPS requirement of each compliance period be from contracts of 10 years or more in duration or from its ownership or ownership agreements from eligible renewable energy resources.

## Background

*Load-serving Entities: IOUs, ESPs and CCAs.* Several types of entities provide electricity service in California. Historically, the main distinction between electricity providers has been whether they are a municipal utility, rural cooperative, or an IOU. Who provides service to your home or businesses largely depends on the location of the home or business. For example, if you live in Los Angeles City, the municipal utility, the Los Angeles Department of Water and

Power, provides electricity service, but if you live in east Los Angeles, just a block away from the City limits, the community is served by an IOU. In more recent years, there has been a growth in additional electricity providers within the service territory of the IOU. These entities are referred to in statute as LSEs and also provide electric service within the service territory of the IOU, although the IOU continues to provide distribution, transmission, and billing services to all customers in their service territory. These LSEs include:

- IOUs: privately owned electrical corporations, such as Southern California Edison (SCE), that provide monopoly electric utility services in distinct, defined geographic territories. In addition to providing the distribution and transmission, and billing services, IOUs have historically provided the energy supply. IOUs are rate-regulated by the CPUC to ensure they provide service at a just and reasonable rate. IOUs also have an obligation to serve to all customers, any customers not served by ESPs or CCAs must, generally, be served by the IOU.
- ESPs: also known as direct access (DA) providers, provide electricity to end-use customers who choose the services of the ESP instead of the incumbent IOU or a CCA. An ESP uses the transmission and distribution infrastructure of the IOU to deliver electricity to the customer. ESP customers are generally large commercial customers (such as a university or large corporation) who wish to manage their own energy procurement decisions. ESP customers retain the option to return to the service of the incumbent IOU or to a CCA, if a CCA offers services in their area.
- CCAs: entities, such as MCE and Sonoma Clean Power, where local governments (either cities or counties) elect to buy or generate electricity on behalf of local residents while using the incumbent IOU's transmission and distribution infrastructure. An individual customer within the territory of a CCA is generally automatically opted-in to receive electric service from the CCA when the customer's local government elects to join the CCA. However, the customer retains the option to return to the service of the incumbent IOU. Customers, especially commercial customers, can opt to be served by an ESP, where ESP services are allowed.

*Growth of LSEs.* The combined procurement between CCA and DA service is anticipated to represent the majority (potentially 85 percent) of the customer load served in the IOU service territory in the coming decade or so.

*Growth of CCAs.* While IOUs have existed for nearly a century, CCAs are a more recent entity. In 2002, statute first allowed the formation of CCAs. It was not until nearly a decade later that the first CCA—Marin Clean Energy—came into existence. Today, there are 19 CCAs operating in the

state with a dozen more communities exploring the formation of a CCA. CCA growth is likely to cover substantial portions of the service territories of the state's three largest IOUs.

*Growth of ESPs.* Last year, the Legislature passed and the governor signed SB 237 (Hertzberg, Chapter 600, Statutes of 2018) which increased the limit of the DA program by 4,000 gigawatt hours for non-residential customers. The bill also directs the CPUC to provide recommendations to the Legislature by June 2020 on the adoption and implementation of a second DA program reopening. The opening of the DA cap creates some additional competition, as well as, uncertainty for the incumbent utility and the CCAs serving energy load that might migrate to an ESP.

*SB 350 IRP.* SB 350 (De León, Chapter 547, Statutes of 2015) established new targets to increase retail sales of renewable electricity to 50 percent by 2030. SB 350 also required each LSE —meaning an IOU, ESP, or CCA—to file a biennial IRP for approval or certification by the CPUC. The CPUC would then combine all LSEs' IRPs to ensure the state was on its path to meet the SB 350 goals, including GHG reductions and procurement of at least 50 percent of renewable resources by the year 2030. The CPUC is currently finalizing the first two-year IRP cycle and embarking on initiating the second round of the two-year IRP cycle.

*CPUC IRP Proposed Decision.* The findings from the first IRP two-year cycle provides a sense of how LSEs are participating in the process and what potential adjustments may be needed to ensure the state remains on track to achieve its energy procurement-related goals. While recognizing that the first IRP cycle was a learning opportunity for LSEs and the CPUC, the exercise did surface a number of issues, including that the individual resource choices by the LSEs collectively did not result in a diverse and balanced portfolio of resources needed to ensure sufficiently reliable or environmentally beneficial statewide electricity resource portfolio. Additionally, it was often difficult for the CPUC to distinguish between an LSE's plan for a resource that is aspirational and one that has an executed contract. The CPUC also declined to certify 19 IRPs and required those LSE's to re-file with the information missing from their plan – generally information about criteria pollution.

*Comments.* As noted in a recent informational hearing by this committee, the changing electricity landscape is resulting in a more complicated energy procurement landscape. As raised at the hearing, the need for more coordination among the growing number of LSEs is necessary to ensure the state remains on track to achieve its policy goals—including clean energy, reliability and affordability. The author of this bill notes his desire to ensure the IRP process is

executed as anticipated and seeks to reinforce the CPUC's existing authority to enforce the IRP. However, some LSEs take issue with whether this bill expands the CPUC's existing authority. To address those concerns the language in relation to the existing RPS is better located in the statute where annual compliance reports are required of each LSE. A concern raised by the author and some of the supporters is the delay in the RPS program where the CPUC enforcement action happens after the three-year compliance period has ended and the filings have been reviewed potentially years after the fact. Such a delay may not be in the best interest to ensure the state stays on track to meet its goals. However, the CPUC can not take enforcement action prior to the full compliance period has ended. *As a compromise, the author and committee may wish to strike the language in this bill concerning the RPS and instead require that as part of the annual compliance filings the CPUC must determine whether an LSE is on track. In cases where an LSE is not, the CPUC should notify the LSE that they are behind on their RPS obligation.* Additionally, the components in this bill related to incorporating resource adequacy procurement and long-term RPS contracts in the IRP are useful additions. *However, the author and committee may wish to move the language related to compliance with the long-term contract requirements into the IRP section, under the addition of resource adequacy.* It is the author's intent to make more explicit the CPUC's existing authority to enforce the IRP. Nonetheless, some LSEs dispute this authority. This debate is at the crux of this bill the answer which should help clarify the weight of the IRP to inform procurement coordination for the state.

### **Prior/Related Legislation**

SB 100 (De León, Chapter 312, Statutes of 2018) established the 100 Percent Clean Energy Act of 2017 which increases the RPS requirement from 50 percent by 2030 to 60 percent, and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy.

SB 618 (Bradford, Chapter 431, Statutes of 2017) required, explicitly, the IRPs of all LSEs – IOUs, ESPs, and CCAs – to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply, meet certain environmental goals, and so that there is no cost shifting among LSEs.

SB 350 (De León, Chapter 547, Statutes of 2015) established the goal of receiving 50 of California's electricity from eligible renewable energy resources.

AB 117 (Migden, Chapter 838, Statutes of 2002) allowed cities and counties to aggregate their electric loads and provide service directly to their residents through formation of CCAs.

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

**SUPPORT:**

Coalition of California Utility Employees  
Southern California Edison  
The Utility Reform Network

**OPPOSITION:**

California Community Choice Association (Cal CCA)

**ARGUMENTS IN SUPPORT:** According to the author:

“California’s energy markets continue to evolve in both how power is generated and how it is delivered. But we are already seeing troubling signs about how this evolution impacts reliability and procurement, among other elements of the system. A rapidly changing grid demands more, not less, supervision of how market participants live up to the existing rules and procedures the State has already established — particularly in the Renewables Portfolio Standard and in Integrated Resource Planning. SB 155 clarifies and improves existing compliance procedures because consistency will ensure equity across Load Serving Entities and ensure California can continue to make progress on its clean energy investments.”

**ARGUMENTS IN OPPOSITION:** In opposition to this bill, Cal CCA expresses concerns that this bill would “force LSEs to prematurely lock in procurement decision that may be 10 years out, resulting in increased costs to California energy supply customers and increased reliance on natural gas in the long-term.” Furthermore, CalCCA argues that the CPUC’s IRP proceeding is still actively under way and that the CPUC already has the ability to enforce compliance with its RA program; therefore, suggesting this bill is not needed.

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