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**SENATE COMMITTEE ON ENERGY, UTILITIES AND  
COMMUNICATIONS**  
**Senator Ben Hueso, Chair**  
**2021 - 2022 Regular**

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**Bill No:** SB 345 **Hearing Date:** 3/15/2021  
**Author:** Becker  
**Version:** 2/9/2021 As Introduced  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Nidia Bautista

**SUBJECT:** Energy programs and projects: nonenergy benefits

**DIGEST:** This bill requires the California Public Utilities Commission (CPUC) to establish common definitions of nonenergy benefits, as defined, and attempt to determine consistent values for use in all distributed energy resource, as defined, programs.

**ANALYSIS:**

Existing law:

- 1) Establishes the California Public Utilities Commission (CPUC) has regulatory authority over public utilities, including electrical corporations and gas corporations. (California Constitution, Article XII, §§3 and 4)
- 2) Pursuant to existing law, the CPUC supervises various energy efficiency, renewable energy resource, self-generation, distributed generation, and demand response programs.
- 3) Defines “disadvantaged communities” as those environmentally and socioeconomically burdened. (Health & Safety Code §39711)
- 4) Mandates the California Energy Commission (CEC) to study and report to the Legislature on barriers that low-income communities, including disadvantaged communities, face for accessing renewable energy, energy efficiency, weatherization, and zero-emission transportation options. (Public Resources Code §25327)
- 5) Directs the CPUC to take into account the use of distributed generation to the extent that it provides economic and environmental benefits in disadvantaged communities to meet the state’s clean energy and pollution reduction objectives. (Public Utilities Code §400)

- 6) Plan for minimizing localized air pollutants and other greenhouse gas (GHG) emissions, with early priority on disadvantaged communities in the CPUC and utility integrated resource plans. (Public Utilities Code §454.52 (a)(1)(I))
- 7) Plan for and report on strategies to maximize the contribution of electricity efficiency savings in disadvantaged communities. (Public Utilities Code §913.10)
- 8) Requires the establishment of a Disadvantaged Communities Advisory Group to provide advice to the CPUC and the CEC on clean energy and pollution reduction programs and to aid in determining whether these programs will benefit disadvantaged communities. (Public Utilities Code §400 [g][1])

This bill:

- 1) Requires the CPUC to establish common definitions of nonenergy benefits, as defined, and attempt to determine consistent values for use in all distributed energy resource (DER), as defined, programs. Specifically, this bill defines:
  - a) “Nonenergy benefits” means the array of diverse impacts of energy programs and projects beyond the generation, conservation, and transportation of energy. Nonenergy benefits exist in three overarching categories: participant nonenergy benefits, utility nonenergy benefits, and societal nonenergy benefits.
  - b) “Distributed energy resources” means distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies.
- 2) Requires the CPUC to incorporate nonenergy benefits in DER programs and projects
- 3) Requires the CPUC to track the nonenergy benefits produced in DER programs during program evaluations.

## Background

*CPUC cost-effectiveness.* The CPUC administers, or requires the state’s investor-owned energy utilities (IOUs) to administer, a number of programs that make financial incentives or awards available for DER projects. DERs are defined as distribution-connected distributed generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies, which are supported

by a wide-ranging suite of CPUC policies. Traditionally, for many of these programs, CPUC evaluation hinges on a cost-effectiveness test to ensure ratepayer funds are expended on projects that provide value to ratepayers. In assessing the value of DER investments, the CPUC relies on the Total Resource Cost (TRC) Test which represents the broadest range of perspectives, including the utility and participant costs and benefits. The CPUC also utilizes additional complementary cost-effectiveness tests.

*Non-energy benefits.* Non-energy benefits may be integrated into some DER programs. For example, non-energy benefits are a consideration with the Energy Savings Assistance (ESA) program, a program providing weatherization and appliances for qualified low-income participants. These non-energy related benefits include: water savings, comfort, and safety. However, application of non-energy benefits are applied universally or considered consistently across CPUC ratepayer-funded programs. This is a partly due to the difficulty of placing a generally agreed-upon quantifiable value on non-energy benefits. This difficulty does not mean, however, such benefits are nonexistent, as in the case with ESA program.

*CEC Barriers report.* In assessing the barriers and challenges for low-income and disadvantaged communities to access energy efficiency and clean energy programs, a report completed by the CEC, pursuant to the Clean Energy and Pollution Reduction Act of 2015 (Chapter 547 of the Statutes of 2015), recommended California “[e]stablish common definitions of nonenergy benefits, develop standards to measure them, and attempt to determine consistent values for use in all energy programs.”

*SB 345.* This bill seeks to have greater consideration for the non-energy benefits within the DER programs funded by ratepayers. Specifically, SB 345 requires the CPUC to: (1) establish common definitions for nonenergy benefits and attempt to determine consistent values for use in all DER programs, (2) incorporate nonenergy benefits in DER programs and projects, and (3) track the nonenergy benefits produced in DER programs during program evaluations. The author and proponents of this bill believe such an effort would result in better valuing certain non-energy benefits important to environmental and social justice benefits of DERs.

*Amendments.* Both the author and the proponents of this bill state they do not intend to change the cost-effectiveness calculations. Rather, they would like the bill to provide greater assurance for the CPUC to consider nonenergy benefits in a more consistent manner. To this end, the author and proponents have been working with stakeholders, including some of the opposition, to better address

these concerns. *As such, the author and committee may wish to amend this bill to: (1) better reflect the intention to not change cost-effectiveness tests for DER programs and (2) clarify this bill does not define nonenergy benefits, but instead proposes to have the CPUC determine common definitions for nonenergy benefits.*

### **Prior/Related Legislation**

AB 961 (Reyes, 2020) would have required the CPUC to consider “nonenergy benefits” for purposes of the CPUC’s DER programs. The bill stalled in the Assembly Committee on Appropriations.

AB 523 (Reyes, Chapter 551, Statutes of 2017) required the CEC to allocate Electric Program Investment Charge monies for technology demonstration and deployment for sites in disadvantaged and low income communities.

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

### **SUPPORT:**

350 Silicon Valley  
 California Housing Partnership  
 California League of Conservation Voters  
 California Solar & Storage Association  
 Ceres  
 Courage California  
 Elders Climate Action NorCal Chapter  
 Elders Climate Action SoCal Chapter  
 Environmental Defense Fund  
 GRID Alternatives  
 Menlo Spark  
 Natural Resources Defense Council  
 People Organizing to Demand Environmental & Economic Rights  
 Rising Sun Center for Opportunity  
 School Energy Coalition  
 Self-Help Enterprises  
 The Greenlining Institute  
 Union of Concerned Scientists  
 Voices for Progress  
 3 Individuals

**OPPOSITION:**

California Association of Realtors  
California Building Industry Association  
California Chamber of Commerce  
California Farm Bureau Federation  
California League of Food Producers  
California Manufacturers & Technology Association  
Coalition of California Utility Employees  
Energy Users Forum  
Independent Energy Producers Association  
Western States Petroleum Association

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

The CPUC already quantifies and considers nonenergy benefits in some programs, but not consistently. This bill will make that more consistent and will direct the CPUC to incorporate nonenergy benefits when selecting which projects to fund while still requiring all projects to be cost-effective. Since these nonenergy benefits are typically larger for low-income and disadvantaged communities, these changes will help them access a larger share of existing funding for distributed energy resources. And by having the CPUC track nonenergy benefits across programs, this bill will also give us a more complete view of all of the costs and benefits of projects funded through these programs, including the co-benefits to the participants and their communities that are often not being tracked and reported today.

**ARGUMENTS IN OPPOSITION:** Coalition of California Utility Employees (CCUE) opposes this bill stating:

This [SB 345] is an attempt to do an end-run around the CPUC's conclusions regarding these asserted (but unsupported) benefits. This is an attempt to inflate the value of DERs so that behind-the-meter DERs appear to benefit all ratepayers (when they really only benefit the lucky few), and make deferred upgrades to traditional distribution infrastructure by installing DERs appear to be cost-effective (when they are not). This bill would also exacerbate an already unsustainable cost shift from net energy metering. SB 345 is profoundly misguided, bad policy and should be rejected.

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