
THIRD READING

Bill No: AB 205
Author: Committee on Budget
Amended: 6/26/22 in Senate
Vote: 21

SENATE BUDGET & FISCAL REVIEW COMMITTEE: 12-2, 6/27/22
AYES: Skinner, Caballero, Cortese, Durazo, Eggman, Kamlager, McGuire, Min,
Newman, Pan, Stern, Wiecekowski
NOES: Nielsen, Ochoa Bogh
NO VOTE RECORDED: Dahle, Grove, Laird, Melendez, Roth

ASSEMBLY FLOOR: Not relevant

SUBJECT: Energy

SOURCE: Author

DIGEST: This bill makes necessary statutory changes to implement the energy related items of the 2022 Budget Act.

ANALYSIS: Specifically, this bill makes the following statutory changes:

- 1) *California Arrearage Payment Program (CAPP)*. Establishes CAPP at the Department of Community Services and Development to provide assistance to active utility customers with past due electricity utility bills incurred during the COVID-19 pandemic bill relief period, as specified. Establishes prioritization of issuance of assistance and allocation of funds, as specified. The bill requires a utility applicant to issue CAPP benefits to residential customers within 60 days of receiving CAPP funds. The bill specifies that that \$1.2 billion of the 2022 Budget Act shall be used for this purpose.
- 2) *Public Utilities Fixed Charge*. Repeals the existing \$10 fixed charge cap for residential investor owned utility customers. Authorizes the Public Utilities Commission (PUC) to use fixed charges for any rate schedule for residential customers, as specified. The bill requires the fixed charge to be established on

an income-graduated basis with no fewer than three income thresholds, such that a low-income ratepayer would realize lower average monthly bill without making any changes in usage, as specified.

- 3) *Long Duration Energy Storage Program.* Establishes the Long Duration Storage Program at the California Energy Commission (CEC) to provide financial incentives for projects that have power ratings of at least one megawatt and are capable of reaching a target of at least eight hours of continuous discharge of electricity in order to deploy innovative energy storage systems to the electrical grid, as specified.
- 4) *Opt-in Permitting.* Allows specified clean energy projects to seek consolidated permitting at the CEC by June 30, 2029, if they adhere to specified labor standards, including the use of skilled and trained workforce, and provide community benefits, as specified.

These projects include: (1) solar photovoltaic or terrestrial wind electricity generating power plants, (2) energy storage systems, (3) electrical generating power plants using thermal energy (not fossil or nuclear fuels), (4) a discretionary project as defined, for the manufacturing, production or assembly of an energy storage system or component manufacturing of wind or solar photovoltaic energy system or other components as specified, and (5) energy transmission lines carrying electric power from a facility in (1), (2) or (3), as specified.

This bill allows the CEC consolidated permit to replace all local, state, and federal permits, except for leases issued by the State Lands Commission and permits issued by the Coastal Commission, San Francisco Bay Conservation and Development Commission, the State Water Resources Control Board, or regional water control boards. For manufacturing facilities, the CEC permits do not replace permits issued by the local air boards of the Department of Toxic Substances Control.

This bill specifies that eligible projects must meet the requirements of an environmental leadership project and therefore will also be eligible for expedited judicial review for litigation involving CEQA, as specified.

This bill requires the CEC to be the lead agency under CEQA and do the following: (1) conduct a full Environmental Impact Report, (2) take final action on the certification within 270 days unless certain extensions apply, (3) hold

several public meetings in the communities of the proposed-project, (4) consult with all Native American tribes that are associated with the geographic area of the proposed site, and (5) Find that the construction or operation of the facility will have an overall net positive economic benefit to the local government that would have had permitting authority over the site and related facility, as specified.

- 5) *Strategic Reliability Reserve*. Establishes the Strategic Reliability Reserve (SRR) to be administered by the Department of Water Resources (DWR) to support electrical grid reliability. This bill authorizes DWR to contract for, purchase, finance or otherwise secure electrical generation to create additional capacity available during extreme energy grid events. Specifically, DWR may use the SRR:
- a) For new energy storage systems, new emergency and temporary generators, generation facilities using clean, zero-emission fuel technology generation, and the extension of operations at existing facilities planned for retirement, as specified.
 - b) To procure additional energy for electric reliability during the summer of 2022.

This bill requires DWR to prepare a plan for its actions to invest in electric reliability for the CEC to consider and approve. The bill also requires DWR to consult with the CEC, PUC and the Independent System Operator or other applicable balancing authorities, and the California Air Resources Board when carrying out the duties of SRR.

This bill authorizes the CEC to permit the siting of facilities by DWR in implementing SRR programs, and establish an expedited review of applications. This bill requires the CEC in reviewing permitting requests to determine optimal location for resources based on electric reliability, reducing public safety power shutoffs, decreasing the use of high-emission resources and minimizing air pollution.

This bill requires the CEC when siting for emergency resources to consult with local governments on land use and Native American tribes associated with the geographic area in which DWR wishes to site emergency resources. This bill also requires DWR to fully mitigate all air emissions in the surrounding community.

This bill requires DWR to submit a report to the Joint Legislative Budget Committee starting on January 31, 2023, and in specified intervals, on expenditures related the program, among others.

- 6) *Distributed Electricity Backup Assets Program.* Establishes the Distributed Electricity Backup Assets Program to be administered by the CEC to incentivize cleaner and more efficient distributed energy assets that would serve as on-call emergency supply or load reduction for the state's electrical grid during extreme events, as specified. Funding shall be used to support: (1) efficiency upgrades to existing power generators, and (2) deployment of new zero or low emission technologies, including but not limited to fuel cells or energy storage, at new or existing facilities.

This bill also the CEC establish program guidelines that include a loading order, as specified. This bill requires resources funded by this program to be available to respond during an extreme event to support grid reliability.

- 7) *Demand Side Grid Support.* Appropriates \$200 million to the CEC to provide payments for demand response actions, as specified, to reduce grid stresses during net peak periods.

Comments

The Governor's Office has submitted the following comments to the Senate Budget and Fiscal Review Committee for inclusion into the Legislative record:

The energy provisions of the Budget Act and this trailer bill:

- 1) Does not extend the permit of any existing generating facilities planned for retirement. Any extension of such permits can only happen under operation of current law or through subsequent legislation. This bill does not in itself authorize extension of those expiring assets.
- 2) Does direct DWR to prioritize feasible, cost- effective clean energy sources above fossil fuel energy sources.
- 3) Does ensure that generation brought online does not compete with the procurement of clean energy and costs are not borne by the ratepayers.

- 4) Does create opt-in permitting to accelerate bringing clean energy projects online sooner so that the state can rely less on fossil fuel generation sources.
- 5) Does provide DWR a fund source for a strategic reserve as an insurance policy on top of existing procurement. The strategic reserve will only be used if all other options have been exhausted and there is a real potential for energy shortage.
 - a) Nothing in the budget abrogates Investor Owned Utilities, Community Choice Aggregation or Publicly Owned Utilities from meeting their requirements.
 - b) DWR is the lead state agency due to their experience as both producer and large consumer of energy. DWR has recently held similar roles.
 - c) By operation of these provisions once-through cooling would not be used as frequently as they may be used currently under utilities' existing obligations to meet resource adequacy requirements.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Senate Budget and Fiscal Review Committee, this bill allocates \$200 million one-time General Fund for Demand Side Grid Support.

SUPPORT: (Verified 6/26/22)

None received

OPPOSITION: (Verified 6/26/22)

None received

Prepared by: Anita Lee / B. & F.R. / (916) 651-4103
6/29/22 10:50:40

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