

**City of Culver City, California  
Agenda Item Report**

Meeting Date: 07/27/15	Item Number: <u>A-2</u>
<b>CITY COUNCIL AGENDA ITEM: Consideration of a City Council Position on Senate Bill 350: the Clean Energy and Pollution Reduction Act of 2015, as Amended on July 16, 2015.</b>	
Contact Person/Dept.: Shelly Wolfberg, Assistant to the City Manager	Phone Number: (310) 253-6000
Fiscal Impact: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	General Fund: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Public Hearing: <input type="checkbox"/>	Action Item: <input checked="" type="checkbox"/> Attachments: <input checked="" type="checkbox"/>
Commission Action Required: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Date: _____
Public Notification: Meetings and Agendas – City Council (07/22/15); Diane Forte, Southern California Edison (07/22/15)	
Department Approval: Martin R. Cole (07/22/15)	City Attorney Approval: Carol Schwab (by H. Baker) (07/22/15)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (07/22/15)	City Manager Approval: John M. Nachbar (07/22/15)

**RECOMMENDATION:**

Staff recommends the City Council consider taking a position on Senate Bill 350: the Clean Energy and Pollution Reduction Act of 2015, as amended on July 16, 2015 (SB 350).

**BACKGROUND:**

In Governor Brown’s State of the State address in January 2015, he announced his ambitious new energy and climate goals for California. The Governor called for statewide targets of up to a 50% reduction in petroleum use in cars and trucks, 50% electricity generation from renewable sources, and the doubling of the energy efficiency of buildings, all by 2030. (<http://focus.senate.ca.gov/climate/sb350-facts>)

In February, Senate President Pro Tempore Kevin de León introduced Senate Bill 350, the Clean Energy and Pollution Reduction Act of 2015, which, if enacted, codifies and implement the Governor’s goals. (Attachment 1)

*SB 350’s Background and Purpose*

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, while local publicly owned electric utilities, as defined, are under the direction of their governing boards. Under existing law, a violation of the Public Utilities Act is a crime. This bill would require

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that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount equal to at least 50% by December 31, 2030. SB 350 would require the PUC, by January 1, 2017, to establish the quantity of electricity products from eligible renewable energy resources to be procured by each retail seller for specified compliance periods sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 50% of retail sales by December 31, 2030.

The bill would require the governing boards of local publicly owned electric utilities to ensure that specified quantities of electricity products from eligible renewable energy resources be procured for specified compliance periods to ensure that the procurement of electricity products from eligible renewable energy resources achieve 50% of retail sales by December 31, 2030. SB 350 would exclude all facilities engaged in the combustion of municipal solid waste from the definition of eligible renewable energy resources. The bill would require community choice aggregators and electric service providers to prepare and submit renewable energy procurement plans. The bill would revise other aspects of the California Renewables Portfolio Standard (RPS) Program, including, among other things, the enforcement provisions and would require penalties collected from retail sellers for non-compliance to be deposited in the Electric Program Investment Charge Fund.

The bill would require the PUC to direct electrical corporations to include in their proposed procurement plans a strategy for procuring a diverse portfolio of resources that provide a reliable electricity supply. The bill would require the PUC and the California Energy Commission to take certain actions in furtherance of meeting the State's clean energy and pollution reduction objectives. SB 350 would state the policy of the State of California to encourage transportation electrification to achieve ambient air quality standards and the State's climate goals.

Existing law requires the State Air Resources Board to adopt and implement various standards related to emissions from motor vehicles. SB 350 would require those standards to be in furtherance of achieving a reduction in petroleum use in motor vehicles by 50% by January 1, 2030.

### *SB 350's Fiscal Effects (According to the Senate Appropriations Committee)*

1. First year costs of \$440,000, and \$400,000 ongoing from various special funds to ARB to create a petroleum use baseline and to implement necessary measures to reduce use.
2. Unknown cost pressures to current programs from various special funds to achieve a 50% petroleum reduction.
3. Annual costs of \$7.24 million from the General Fund for the CEC for ongoing updates of its energy efficiency plans for existing buildings and to implement the plans.

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4. Annual costs of \$900,000 from the Energy Resources Program Account (General Fund) for the CEC for new responsibilities ensuring compliance with RPS standards by the POUs.
5. Annual costs of \$2.3 million for five years from the Public Utilities Reimbursement Account (special) for PUC contract needs.
6. Annual costs of \$471,000 for two years and \$157,000 in the third year from the Public Utilities Reimbursement Account (special) for PUC proceedings to adjust existing RPS and Long Term Procurement Plan programs.
7. Ongoing staffing needs of \$350,000 annually from the Public Utilities Reimbursement Account (special) for PUC staffing needs for ongoing enforcement of the higher RPS standards.
8. Unknown ratepayer costs to the General Fund and various special funds to the state as a ratepayer of electricity to the extent that electricity prices may be affected by increasing the RPS standard.
9. Unknown cost pressures to the Public Utilities Reimbursement Account (special) and the Energy Resources Program Account (General Fund) to the PUC and the CEC to review renewable integration needs and to consider grid integration in proceedings implementing RPS requirements.

On June 3, 2015, SB 350 was approved in the Senate (Senator Mitchell voting AYE) and is now up for a vote in the Assembly before reaching the Governor's desk for his action (presumably a signature enacting SB 350 into law). On July 20, 2015, the City received a letter from Senate President Pro Tempore De León requesting that the City Council support SB 350, in hopes that the legislation is signed into law this year. (Attachment 2)

### **DISCUSSION:**

The guiding principles included in the City Council-adopted Legislative Advocacy Program are intended to provide direction on matters that affect the funding, programs, projects, and operations of the City of Culver City as a governmental organization. According to the Legislative Advocacy Program (Attachment 3), the following policies apply to SB 350:

1. Support efforts to preserve municipalities' opportunities to provide energy alternatives to residents and businesses and to maintain a utility-established rate structure that is fair and equitable for the City and its residents.
2. Support reasonable environmental regulations aimed at enhancing air and water quality, reducing stormwater pollution, and providing opportunities for corresponding funding mechanisms.
3. Support legislation that improves air quality in Culver City and surrounding areas.

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4. Support funding for greenhouse gas inventories, climate action plans, and other work that will help further the goals of AB 32 and related legislation.
5. Support legislation and grants that encourage the use of innovative, efficient, and renewable alternative fuels for vehicles.
6. Support legislation that promotes reliable, affordable, and renewable energy for businesses and residents.
7. Oppose any legislation that would place a mandate on the City without providing the funds necessary to carry out the mandated program. Render mandates invalid if not fully funded.
8. Oppose any legislation that would place a mandate on the City without providing the funds necessary to carry out the mandated program. Render mandates invalid if not fully funded.

As noted above, the Legislative Advocacy Program does provide some guidance on the subjects addressed by SB 350. However, SB 350, if enacted into law, would make significant changes to the status quo. Because of these significant changes and their related fiscal impacts to the City, staff does not feel it has sufficient guidance to prepare a letter expressing the City's policy on the matters expressed in SB 350. Therefore, the item is presented to the City Council for consideration.

If the City Council adopts a position on SB 350, the City Manager will cause a position letter to be prepared and signed by the Mayor that will be distributed accordingly.

### **FISCAL ANALYSIS:**

There is no fiscal impact for the City Council to take a position on this bill. However, if SB 350 is signed into law, the future potential impacts to Culver City's utility costs for municipal facilities are unknown at this time. Additionally, because this bill would require the State Air Resources Board to adopt various standards related to emissions from motor vehicles to be in furtherance of achieving a reduction in petroleum use in motor vehicles by 50% by January 1, 2030, there could be potential impacts to the City's fleet assets and operations.

### **ATTACHMENTS:**

1. SB 350 Bill Language
2. July 17, 2015 Letter from Senate President Pro Tempore De León
3. Culver City Legislative Advocacy Program, Adopted on January 12, 2015

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**MOTION:**

That the City Council:

1. Request that the City Manager prepare a letter in support of SB 350 for the Vice Mayor's Signature; or,
2. Request that the City Manager prepare a letter in opposition of SB 350 for the Vice Mayor's Signature; or,
3. Provide other direction as deemed necessary.