Office of Senate Floor Analyses
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THIRD READING

Bill No: SB 833
Author: Dodd (D) and Stern (D), et al.
Amended: 3/21/22
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 13-0, 3/14/22
AYES: Hueso, Dahle, Becker, Bradford, Dodd, Eggman, Gonzalez, Grove, Hertzberg, McGuire, Min, Rubio, Stern
NO VOTE RECORDED: Borgeas

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/19/22
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, Wieckowski

SUBJECT: Community Energy Resilience Act of 2022

SOURCE: The Climate Center

DIGEST: This bill requires the California Energy Commission (CEC) to develop and implement a grant program for local governments to develop community energy resilience plans, as specified, to address power outages.

ANALYSIS:

Existing law:

1) Establishes within the Natural Resources Agency the State Energy Resources Conservation and Development Commission (also known as the CEC). (Public Resources Code §25200 *et seq*.)

2) Assigns the CEC various duties, including applying for and accepting grants, contributions, and appropriations, and awarding grants consistent with the goals and objectives of a program or activity the CEC is authorized to implement or administer. (Public Resources Code §25218)

3) Establishes the California Office of Emergency Services (CalOES) as responsible for the state's emergency and disaster response services for natural,

technological, or manmade disasters and emergencies, including responsibility for activities necessary to prevent, respond to, recover from, and mitigate the effects of emergencies and disasters to people and property. (Government Code §8585 et seq.)

This bill:

1) Requires the CEC to develop and implement a grant program for local governments to develop community energy resilience plans that help achieve energy resilience objectives and state clean energy and air quality goals.

2) Requires a plan to, among other things, identify critical facilities, facilities where the construction of microgrids or other distributed energy sources could meet local resilience needs, and potential funding sources for implementing projects in the plan, include a process for the expedited permit review of distributed energy resources by the local government, and demonstrate consistency with the city, county, or city and county general plan and other local government planning documents, as specified.

3) Requires, as a condition of receiving grant funding, a local government to submit its plan to the CEC within six months of adopting the plan.

4) Requires the CEC to:
   a) Maintain a publicly available and searchable database of all local governments receiving a grant.
   b) Annually submit a program summary to the Legislature and post the summary on its internet website.
   c) Develop and maintain on its internet website:
      i) A publicly available community energy resilience planning toolkit.
      ii) A directory of prequalified consultants.
      iii) A resilience valuation index, as defined, to assist local governments in community energy resilience planning and require the CEC to periodically update the index.

Background

Recent history with power outages, including Public Safety Power Shutoffs (PSPS). In recent years, California has experienced a number of catastrophic wildfires, including several ignited by electrical utility infrastructure. In order to mitigate the risk of electric utility equipment igniting fires, the state's three largest electric investor-owned utilities (IOUs) have proactively shut off power on electric circuits that could pose risks during high wind events, coined as PSPS. With the

increasing use of proactive power shutoffs by electric utilities, many communities were left scrambling to provide backup power for their residents and critical facilities. Additionally, wildfires themselves have damaged electric infrastructure and caused extended loss of power. With the increasing risks of natural disasters and the utilities' use of proactive power shutoffs, local governments are seeking to better plan for these often unexpected and emergency events.

California provides funding for backup power to local governments. The Governor and Legislature provided funding to support backup power resources to local governments and state agencies. Specifically, the 2019-20 State Budget allocated $75 million in PSPS resiliency grants administered by the CalOES. The grants helped fund backup power resources for counties, cities, tribal governments, and state agencies. The following year, the State Budget appropriated another $50 million for local governments, special districts, and tribes for grants for backup power resources to critical facilities.

Funding for Community Resilience Centers, upon Legislative appropriation. The 2021 Budget *Public Resources Trailer Bill*, SB 155, makes available, upon appropriation by the Legislature in the annual Budget Act, $25 million in fiscal year 2022-23 and $75 million in fiscal year 2023-24 to the Strategic Growth Council, in coordination with Office of Planning and Research, for the establishment of a community resiliency centers grant program. If appropriated, the funding would be available as grants to local governments for the purposes of supporting facilities that will serve as community resiliency centers to mitigate the public health impacts of climate change, including power outages.

Microgrids. Generally, a microgrid is understood to be a self-contained, small (compared to the electric grid), electricity system with the ability to manage critical customer resources, disconnect from the electric grid when the need arises, and provide the customer with different levels of critical support. A microgrid can be as simple as a diesel-fuel generator located near a building, such as a hospital, that is able to provide needed power during an electric power outage. A microgrid can be an entire neighborhood that is outfitted with solar and other technologies. Customers tend to seek reliability and resiliency services from microgrids. In particular, customers may value the desire for sufficient resources both at the utility scale, but also at the local level in order to better manage challenges, such as power outages. Although each microgrid can vary in component configuration, size, and applications, generally, microgrids are made of a combination of distributed energy resources (DER), storage, and demand response capabilities. In January 2021, the California Public Utilities Commission (CPUC), as part of its active proceeding to help commercialize microgrid deployment, as required by SB

1339 (Stern, Chapter 566, Statues of 2018), directed the three large investor-owned electric utilities to develop a microgrid incentive program. The CPUC January 2021 decision allocates $200 million to fund clean energy microgrids to support the critical needs of vulnerable populations impacted by grid outages and test new technologies or regulatory approaches to inform future action, with the costs and funding for these programs to be borne by the counties in which the incentive programs are implemented.

Self Generation Incentive Program (SGIP). The CPUC established SGIP pursuant to AB 970 (Ducheny, Chapter 329, Statutes of 2000), which directed the CPUC to establish incentives for distributed generation resources. The program provides incentives for installation of distributed energy resources that are located at a customer's side of the meter and sized no larger than what is needed to meet on-site energy needs. Existing law authorizes the CPUC to direct IOUs to collect $166 million annually from ratepayers through 2024 a total of more than $1 billion). While SGIP has provided incentives for a variety of distributed energy resources, the program largely focuses on focuses on rebates for installing energy storage technology at both residential and non-residential facilities, and includes battery storage systems that can function during a power outage. The funding includes prioritization of communities living in high fire-threat areas, communities that have experienced two or more utility PSPS events, as well as low income and medically vulnerable customers. The funds are also available for "critical facilities" that support community resilience in the event of a PSPS or wildfire.

SB 833 (Dodd). This bill would establish a grant program at the CEC to fund resiliency planning by local governments, including tribes, cities, counties, and cities and counties. This bill includes a public process to develop the solicitation and evaluation procedures at the CEC via the adoption of guidelines. Importantly, this bill does not prescribe specific projects, but does seek to foster collaboration between local governments, community stakeholders, and electric utilities to develop community energy resiliency plans. Specifically, this bill requires local governments to identify critical facilities and utilize a resilience valuation index to inform planning efforts that support deployment of distributed energy resources aligned with the State's climate policies and air quality goals.

Desire for clean energy resources. The proponents of this bill state their frustration that the absence of local clean energy resiliency planning has resulted in "vast public and private investments in fossil fuel backup generation, which runs counter to California's decarbonization goals." They specifically cite the CalOES grants as resulting in primarily procuring diesel-fueled power backup resources. The sponsors of this bill note that there is no funding allocated specifically to help

local governments plan for the microgrid investments, and other investments, including those that may become available from the federal infrastructure bill. They argue that this planning is necessary to help local governments better identify their local risks, needs, assets, and opportunities, especially as climate change impacts grow in frequency and intensity.

Valuing resiliency. This bill requires the CEC to develop a resilience valuation index that can be used by local governments to develop their plans. The resilience valuation index would be a standardized, data-driven tool that assists local governments in conducting cost-benefit analysis of community energy investments. The bill's sponsors note such constructs were discussed in a recent National Association of Regulatory Utility Commissioners (NARUC) report, "Valuing Resiliency for Microgrids." As the NARUC report notes, resiliency has emerged as a key consideration to guide electricity spending. The report also notes that "no universally accepted valuation tool for resilience exists," however, there are a number of approaches in development by state and federal agencies, utilities, National Laboratories, researchers and others. Importantly, the CPUC is actively pursuing valuing resiliency in its Track 5 of the microgrid proceeding noted above.

Where's the funding and by when? The author states his desire to have the state budget appropriate funds to pay for the proposed grant program. As such, the author does not intend to have the program funded through electric ratepayers. Instead, funding would be subject to a state budgeting decision. This bill also does not include any dates by when the CEC must administer the grant program or any of the other requirements in this bill.

CEC's role. As drafted, this bill would require the CEC to administer grants for the program and require local governments to submit their plans to the CEC. The CEC would develop the resilience valuation tool. While it makes sense for the CEC to administer a grant program related to energy resources, as noted above there are other related programs and efforts by other agencies which may be leveraged, so as to avoid duplication. For example, in January 2020, CalOES issued an "Electric Power Disruption Toolkit for Local Government," which should be considered in the CEC development of a toolkit and to inform the planning envisioned by this bill. As mentioned above, the CPUC is actively developing input for approaches to valuing resiliency to support microgrid deployment. Moreover, the 2021 State Budget noted the desire to appropriate funding the SGC for community resiliency centers. And notably, the Governor's proposed May Revise budget proposes significant funding (nearly $2 billion) for Distributed Electricity Backup Assets and Residential Solar and Storage.

Limits of backup power resources. All backup power sources have limitations on their ability to maintain reliable power for extended durations. It is important to note that depending on the duration of a power outage, a purely non-fossil fueled based backup energy resource may be limited in providing sufficient energy. Nonetheless, the CPUC directed Microgrid Incentive Program, via the electric IOUs, seeks to better understand the capabilities and limitations of purely clean distributed energy resources. Additionally, unlike diesel backup resources which are generally used only as standby for emergency situations, the clean distributed energy resources, such as solar and storage, can be utilized daily to help offset peak demand and corresponding peak electricity rates.

Related/Prior Legislation

SB 99 (Dodd, 2021) would have established the Community Energy Resilience Act of 2021, upon appropriation by the Legislature, administered by the CEC, to develop and implement a grant program for local governments to develop community energy resilience plans and expedite permit review of distributed energy resources. The bill was held in Assembly Appropriations.

SB 155 (Senate Budget and Fiscal Review Committee, Chapter 158, Statutes of 2021), Public Resources Trailer Bill, makes certain funding available in the 2022–23 and 2023–24 fiscal years to the SGC, in coordination with the OPR, for the establishment of a grant program for the construction or retrofit of facilities that will serve as community resilience centers to mitigate the public health impacts of emergency situations exacerbated by climate change, such as wildfire, power outages, or flooding, on local populations.

AB 418 (Valladares, 2021) would have established the Community Power Resiliency Program, to be administered by the OES, to support local governments' efforts to improve resiliency in response to power outage events, as specified. The bill was vetoed by the Governor.

SB 1314 (Dodd, 2020) proposed similar language as SB 99. However, it was never heard in a committee.

AB 1144 (Friedman, Chapter 394, Statutes of 2019) required the CPUC to support resiliency during a deenergization event for communities in high fire threat districts by allocating at least ten percent ($16.6 million) of the annual allocation of the self-generation incentive program in 2020 for the installation of energy storage and other distributed energy resources for customers that operate a critical facility or critical infrastructure in these communities.

SB 1339 (Stern, Chapter 566, Statues of 2018) required the CPUC, in consultation with the CEC, and the California Independent System Operator, to take specified actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations.

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

According to the Senate Appropriations Committee, cost pressure of an unknown amount, but likely in the tens for millions of dollars at least, to fund the grant program, including CEC's costs to administer the program (General Fund or special funds). The author has expressed the intent the grant program not be funded by utility ratepayers.

SUPPORT: (Verified 5/19/22)

The Climate Center (source)
350 Bay Area Action
350 Humboldt: Grass Roots Climate Action
Association of Regional Center Agencies
Bioenergy Association of California
Bloom Energy
California Alliance for Community Energy
California Alliance of Nurses for Healthy Environments
California Energy Storage Alliance
California Environmental Voters
California Solar & Storage Association
California State Association of Counties
California Wind Energy Association
Capstone Green Energy
Center for Sustainable Energy
Central California Environmental Justice Network
City of San Diego
CivicWell
Clean Coalition
Coalition for Clean Air
Community Energy Labs
Community Environmental Council
EcoShift Consulting
Electric Auto Association San Joaquin Valley
Electrify Now
Environment California

Grid Alternatives
Indivisible California Green Team
Indivisible California: StateStrong
Indivisible San Jose
Indivisible Ventura
Joint Venture Silicon Valley
Little Manila Rising
Local Government Sustainable Energy Coalition
Menlo Spark
Microgrid Resources Coalition
National Parks Conservation Association
Natural Resources Defense Council
Normal Heights Indivisible
North Bay Leadership Council
Peninsula Interfaith Climate Action
Pioneer Community Energy
Récolte Energy
Resilient Palisades
Rising Sun Center for Opportunity
Rooted in Resistance
Rural County Representatives of California
San Diego 350
San Francisco Bay Physicians for Social Responsibility
San Jose Community Energy Advocates
Schneider Electric
Sierra Club California
Silicon Valley Clean Energy
SLO Climate Coalition
SmartBlock Communities
Sonoma Clean Power
TerraVerde Energy
The Climate Reality Project, San Diego Chapter
The Climate Reality Project, San Fernando Valley Chapter
The Energy Coalition
Union of Concerned Scientists
Valley Clean Energy Alliance
Ygrene Energy Fund
ZEV 2030
ZNE Alliance
One Individual

OPPOSITION: (Verified 5/19/22)

None received

ARGUMENTS IN SUPPORT: According to the author, "SB 833 calls for the creation of a new technical assistance and grant program administered by the California Energy Commission to provide local governments with the resources needed to develop clean energy resilience plans in collaboration with utilities and prioritize enhanced resilience for low-income communities. The increasing frequency of electrical outages, especially those driven by extreme climate events, has imposed enormous costs on California and have prompted many homeowners, businesses, and utilities to purchase polluting backup generators. SB 833 offers a better alternative through local planning that enhances energy resilience by strategically developing decentralized, locally produced clean energy resources that take advantage of significant recent cost reductions in clean, distributed energy. In contrast to diesel generators that are typically used only a few days a year, distributed clean energy resources (DERs) can operate on a daily basis to serve critical on-site needs, provide ancillary grid services and most importantly, "load shift" excess mid-day solar generation to serve evening peak loads just as solar production is decreasing… Rather than making crucial infrastructure investment decisions via a process disconnected from local priorities and needs, SB 833 would foster needed collaboration between local governments and utilities."

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5/21/22 15:39:16

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