



City of Anaheim
PUBLIC UTILITIES DEPARTMENT

DATE: OCTOBER 24, 2018
TO: CITY MANAGER/CITY COUNCIL/PUBLIC UTILITIES BOARD
FROM: PUBLIC UTILITIES GENERAL MANAGER
SUBJECT: ANAHEIM PUBLIC UTILITIES 2018 STATE LEGISLATIVE UPDATE

This item is for information only.

DISCUSSION:

The Public Utilities Department (Department) monitored over 200 bills in the 2018 Legislative year covering electric, water and other relevant issues having potential impact to utility operations and costs. The Department advocated on behalf of its customers throughout the year, including communicating issues to Legislators who represent Anaheim, and working with bill sponsors and industry groups to ensure legislation addressed local concerns and mitigated impacts to the extent possible. This was the final year of the 2017-18 Legislative Session with major bills on long-term water efficiency and a future goal of 100% clean energy signed into law by Governor Brown.

The Department collaborated with key stakeholders to establish a coalition that included similarly situated utilities through the California Municipal Utilities Association (CMUA) and the Southern California Public Power Authority (SCPPA). As a result of the collective advocacy of many utilities who seek to protect their customers, potentially harmful legislation did not advance, or bill language was modified to minimize negative impacts such as significant utility bill increases, operational limitations, or further erosion of local control by respective policy bodies. Overall, the Legislative Session concluded positively as the Department does not anticipate newly enacted laws to significantly impact utility customers.

Energy-Related Legislation

Of the energy-related bills monitored this year, 33 were chaptered into law and the Governor vetoed three. The following energy bills were of significance and were closely monitored during this Legislative session.

Senate Bill (SB) 100 (De León-D) increased the Renewables Portfolio Standard (RPS) to 60% by 2030 (previously 50%), and establishes a state planning policy that renewable energy and zero-carbon resources supply 100% of electricity to all end-use customers by 2045. For nearly two years, the Department worked with its industry groups to provide publicly owned utility (POUs) more flexibility on implementation as well as addressing potentially problematic provisions. These efforts resulted in successfully removing prior language that could have diminished a POU governing board's authority, securing language for a more linear RPS increase, and obtaining clarification that the 100% policy is inclusive of existing zero-carbon

resources such as large-scale hydropower (which the Department currently has in its resource portfolio). While SB 100 is expected to cause power costs to increase incrementally by roughly 3% to 4% over 10 years, the 2045 timeframe provides the Department time to develop its resource portfolio in anticipation of future policies in order to minimize dramatic cost increases to customers.

SB 901 (Dodd-D) establishes policies in response to the recent wildfires and was developed by a committee of bipartisan members from both Houses. This committee held hearings on and considered several complex issues for potential legislative reform before releasing comprehensive language in the final few days of the Legislative session providing limited opportunity for stakeholders to meaningfully engage. The legislation deals primarily with forestry management, utility fire prevention and planning, and electric investor-owned utility cost recovery. For the Department, the law will require additional elements to be considered in the Anaheim Public Utilities Wildfire Mitigation Plan that Council adopted in August 2018, beginning in 2020, along with key requirements that the Plan is updated annually and reviewed by an independent evaluator. The Department does not anticipate significant impacts as these requirements can be incorporated into the current wildfire mitigation planning process, and short-term and long-term steps are being taken to mitigate fire risks in Anaheim's fire threat zones.

Assembly Bill (AB) 813 (Holden-D) would have established a regionalized grid operator, effectively extending the jurisdiction of the California Independent System Operator (CAISO) beyond California into other Western States. The bill was heavily favored by Governor Brown; however, the benefits to the Department were unclear, with the potential for transmission costs in other states to be partially borne by California customers. Further, governance of the regional entity was not fully developed, and language proposed would have placed certain aspects of the Department's operation under the jurisdiction of the California Energy Commission (CEC). Through joint advocacy by many stakeholders, AB 813 did not pass out of Legislature before adjournment.

AB 2450 (Quirk-D) requires that Mylar balloon manufacturers permanently mark each balloon with a consumer fire risk warning regarding contact with power lines. Mylar balloons are among the leading causes of power outages in Anaheim and this law increases consumer awareness of these impacts, thereby helping to minimize the occurrence of balloon-caused outages. This bill will support the Department's ongoing efforts that include public service announcements and other outreach methods to encourage proper disposal of Mylar balloons.

See Attachment 1, *Estimated Cost Impacts of Legislation Impacting Electric Operations*, for further information on enacted electric bills with potential cost impacts.

Water-Related Legislation

Of the water-related bills monitored, 14 bills were chaptered into law and the Governor vetoed five. The following water bills were of significance and were closely monitored during this Legislative session.

AB 1668 (Friedman-D) and **SB 606** (Hertzberg-D) together establish the State's framework for long-term water efficiency and drought planning beyond 2020. The new law will effectively require the Department to meet annual water "objectives" (*i.e.*, water budgets) for residential use, certain non-residential outdoor use, and water losses based on pending efficient water use standards, along with implementing performance measures for non-residential customers. The Department worked with CMUA and other water agencies for over a year on these bills, and successfully secured language to provide more flexibility and clarity during implementation while also warding off more restrictive proposals. The new law will allow water systems to utilize a variety of measures to meet future water objectives, calls for a robust stakeholder process for developing water use standards and performance measures, and contains reasonable State enforcement mechanisms. The Department currently meets the standard for indoor residential water use, and will participate in the development of other key standards and requirements over the next several years with the initial compliance reporting starting in November 2023.

SB 998 (Dodd-D) establishes standard policies for all public water systems on residential water service discontinuations due to nonpayment of customer bills. The Department worked with its industry groups to address many concerns with prior versions of the bill including significant restrictions on discontinuations that, in certain cases, would have prevented the recovery of water service costs (thus, potentially shifting those costs from nonpaying customers to paying customers). The new law will generally require that notices and payment options be provided to customers during the discontinuation process but does not completely prevent discontinuation for nonpayment. The Department does not anticipate significant impacts as current Council-adopted rules and practices on discontinuations meet many of the new requirements, and the Department has many bill assistance and efficiency programs available to help customers avoid discontinuation. Staff will monitor whether this law leads to increases in nonpayment and/or other unintended impacts.

See Attachment 2, *Estimated Cost Impacts of Legislation Impacting Water Operations*, for further information on enacted water bills with potential cost impacts.

Potential and/or Upcoming Legislative Issues

Several complex and potentially problematic bills did not proceed out of the Legislature; however, reconsideration of those issues is likely next year. The Department anticipates reconsideration and/or introduction of bills in 2019 that address the following issues:

- Re-introduction of a multi-state, regional electric grid (successor to AB 813)
- Reforms related to utility wildfire liability where utilities are currently assigned liability regardless of whether its actions or facilities are directly responsible for ignition
- Renewable energy resources procurement mandates that specifically target increases in select types of resources that would impact pricing
- Water public goods charge (*e.g.*, “water tax”)/Safe Affordable Drinking Water Fund that would increase water utility bills in order to fund rebates or other programs, with the potential that local funds are assigned to the State for distribution

CONCLUSION:

The Department continues to advocate on behalf of its customer-owners to support legislation that provides local benefits and defend against legislation that undermines local control and increases costs to ratepayers. Information regarding the financial and operational impacts to the Department are posted on the City’s website, which includes estimated annual costs and votes by Anaheim representatives.

Attachments:

1. Estimated Cost Impacts of Legislation Impacting Electric Operations
2. Estimated Costs Impacts of Legislation Impacting Water Operations