



L&R Committee Meeting

August 24, 2022
Legislative & Regulatory Affairs Committee

Item 1. Call to Order/Roll Call



Item 2. Approval of Minutes

L&R Committee Meeting: 3/23/22



Item 3: SpryPoint Services, Inc. MTCSA

**Seeking a Recommendation for
Commission Approval of SpryPoint Services, Inc.
Multi-Task Consulting Services Agreement**



Background

- This is a new agreement with SpryPoint Services Inc.
- SpryPoint Services is a Hometown Connections (HCI) partner
- HCI, in partnership with NCPA, Alameda Municipal Power, and other HCI members requested formal bidding for a Work and Asset Management / Mobile Workforce solution
- Proposals received by three qualified firms
- SpryPoint Services was selected as the best fit with its Mobile Field Service and Work Orders and Asset Management modules
- This is an enabling agreement and doesn't require a commitment of funds
- It is recommended to place this item on the consent calendar
- For use at all facilities owned and/or operated by NCPA, NCPA Members, SCPPA, and SCPPA Members

General Scope of Work

- Term of Agreement: 5 years
- Cost: Not to Exceed \$1,000,000
- Scope of Work
 - SpryMobile's Field Service module
 - Puts real-time data into the hands of field technicians who can receive and update service orders on a tablet, phone, or laptop while in the field
 - SpryMobile's Work Orders and Asset Management module
 - Provides a method of centralized work oversight to help utilities track, maintain and optimize their assets and equipment

Environmental Analysis

- This activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a “project” for purposes of Section 21065 of the California Environment Quality Act. No environmental review is necessary

Action

- Seeking a recommendation from the L&R Committee for Commission approval of a Five Year Multi-Task Consulting Services Agreement between NCPA and SpryPoint Services Inc. in an amount not to exceed \$1,000,000 for use at all facilities owned and/or operated by NCPA, its Members, SCPPA, and SCPPA Members

Federal Affairs Report



Marty Kanner

Federal Legislative Update

Inflation Reduction Act of 2022



- After repeated failures to reach agreement among Senate Democrats, Senators Manchin (D-WV) and Schumer (D-NY) agreed to use the budget reconciliation process to advance climate, health care, and tax deal
- Encourages decarbonization of the economy through a mixture of tax incentives, grants, and loan guarantee programs totaling close to \$370 billion
- Approved by Senate on 8/6/22 on a 51-50 vote (budget reconciliation does not need 60-vote supermajority to pass); House approved on 8/12/22 on a 220-207 vote
- Legislation heralded by Democrats and advocates as biggest climate initiative ever and major down payment towards Administration’s carbon reduction goals
 - Anticipated to lower US GHG emissions by 40% by 2030
- While public focus on clean energy, legislation also includes provisions aiding oil and natural gas, and Senator Manchin secured agreement to later advance permit reform legislation

Key Elements of Inflation Reduction Act

Clean Energy Tax Credits



- Creates “direct payment” option for non-profit utilities that have not been able to take advantage of existing tax credits available to deploy clean energy technologies
 - Top NCPA priority, with Randy Howard testifying in support before Chairman Thompson (D-CA)
 - 15% reduction if project financed with tax-exempt bonds
 - “true-up” provision to protect payments from budget sequestration
- Production Tax Credit (PTC) and Investment Tax Credit (ITC) for clean energy investments extended for 10 years
 - Expands list of eligible technologies to include energy storage (including hydrogen), carbon capture and storage, and nuclear investments
 - Hydropower would now receive full credit, rather than the historic partial credit
 - Establishes system of “base credits,” with bonus credits for projects meeting prevailing wage and apprenticeship requirements
 - Provides bonus credits for projects in disadvantaged communities

Key Elements of Inflation Reduction Act Hydrogen



- Hydrogen-fueled energy storage projects eligible for ITC/PTC, including “direct pay” option for public power
- Bill creates new tax credit for production of clean hydrogen produced by at a qualified clean hydrogen facility during 10-year period beginning on date the facility is placed in service. Credit will equal applicable percentage of base rate of \$0.60 or bonus rate of \$3.00 multiplied by the volume (in kilograms) of clean hydrogen produced at a qualified facility during taxable year.
- The applicable percentage is determined by the lifecycle greenhouse gas emission rate achieved in producing clean hydrogen. To claim bonus credit rate, taxpayers must satisfy prevailing wage and apprenticeship
- Direct payment option exists for public power, with payment reduced by 15% if project is financed with tax-exempt bonds.
- Further assessment needed to determine whether a project that produces, and utilizes, clean hydrogen can receive both the clean hydrogen tax credit and the PTC/ITC credit.

Key Elements of Inflation Reduction Act

Other Provisions



- Increases energy efficiency tax credits from 10% to 30% of the cost of the improvement
- Retains \$7,500 clean vehicle tax credit, but 200,000 vehicle/manufacturer limit no longer applies, and for the first time, the tax credit is income tested. Domestic content requirements for eligibility. Establishes \$4,000 tax credit for used clean vehicles
- Provides nearly \$4.3 billion for DOE-awarded grants to state energy offices to develop and implement a rebate program for purchase and installation of electric appliances and other electrification upgrades for low- or moderate-income households
- Provides \$3.6 billion for DOE’s clean energy loan guarantee program
- Provides \$2 billion that would allow DOE to originate direct loans to non-federal borrowers for construction or modification of electric transmission facilities designated by DOE as necessary to the national interest
- Provides \$3 billion for grants to community-based nonprofit organizations, Indian tribes, local governments, and higher education institutions for various activities, such as air and other pollution monitoring, prevention, and remediation

Key Elements of Inflation Reduction Act Manchin Permitting Agreement

- Requires the President to designate list of at least 25 high-priority energy infrastructure projects and prioritize permitting for these projects
- Sets maximum timelines for permitting reviews, including two years for NEPA reviews for major projects and one year for lower-impact projects
- Improves process for creating categorical exclusions under NEPA
- Improves permitting under Section 401 of the Clean Water Act by requiring state agencies within one year to either grant, grant with conditions, deny, or waive certification. Also limits 401 process to water quality impacts
- Clarifies FERC jurisdiction regarding the regulation of interstate hydrogen pipeline, storage, import, and export facilities
- Enhances federal government permitting authority for interstate electric transmission facilities that have been determined by the Secretary of Energy to be in the national interest
- Complete the Mountain Valley Pipeline (located in WV)



Schumer agreed to advance Manchin's permitting reform proposal during annual appropriations process

State Legislative Report



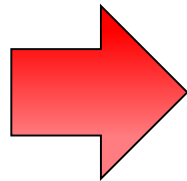
Gregg Cook
Nicole Case

State Legislative Issues

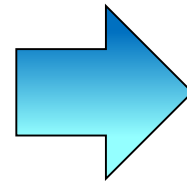
2022 Policy Bill Process



House of Origin



Second House



Governor

DEADLINE

Introduction	Feb 18
Policy Committee	May 6
Appropriations Committee	May 20
Floor Vote	May 27

DEADLINE

Policy Committee	Jul 1
Appropriations Committee	Aug 12
Last Day to Amend Bills	Aug 25
Floor Vote	Aug 31

DEADLINE

Sign/Veto	Sep 30
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State Legislative Update

Approved Bills of Significant Interest to NCPA

Expedited Permitting: Undergrounding Utility Distribution Lines SB884 (McGuire)

- Large utilities only (>250,000 customers)
- NCPA supports: Assembly appropriations limited scope to high fire risk areas

Clean Hydrogen SB1075 (Skinner)

- Assembly appropriations stripped RPS section
- Skinner assessing options

GHG Reduction Targets SB1020 (Laird)

- NCPA concerns
 - Stranded costs
 - New fees for customers
- Amendments accepted to address NCPA concerns

GHG Annual Reporting SB1158 (Becker)

- NCPA Opposed
 - Loss of local control
 - Potential for new procurement obligation
- Becker accepted POU amendments
- Floor amendments expected

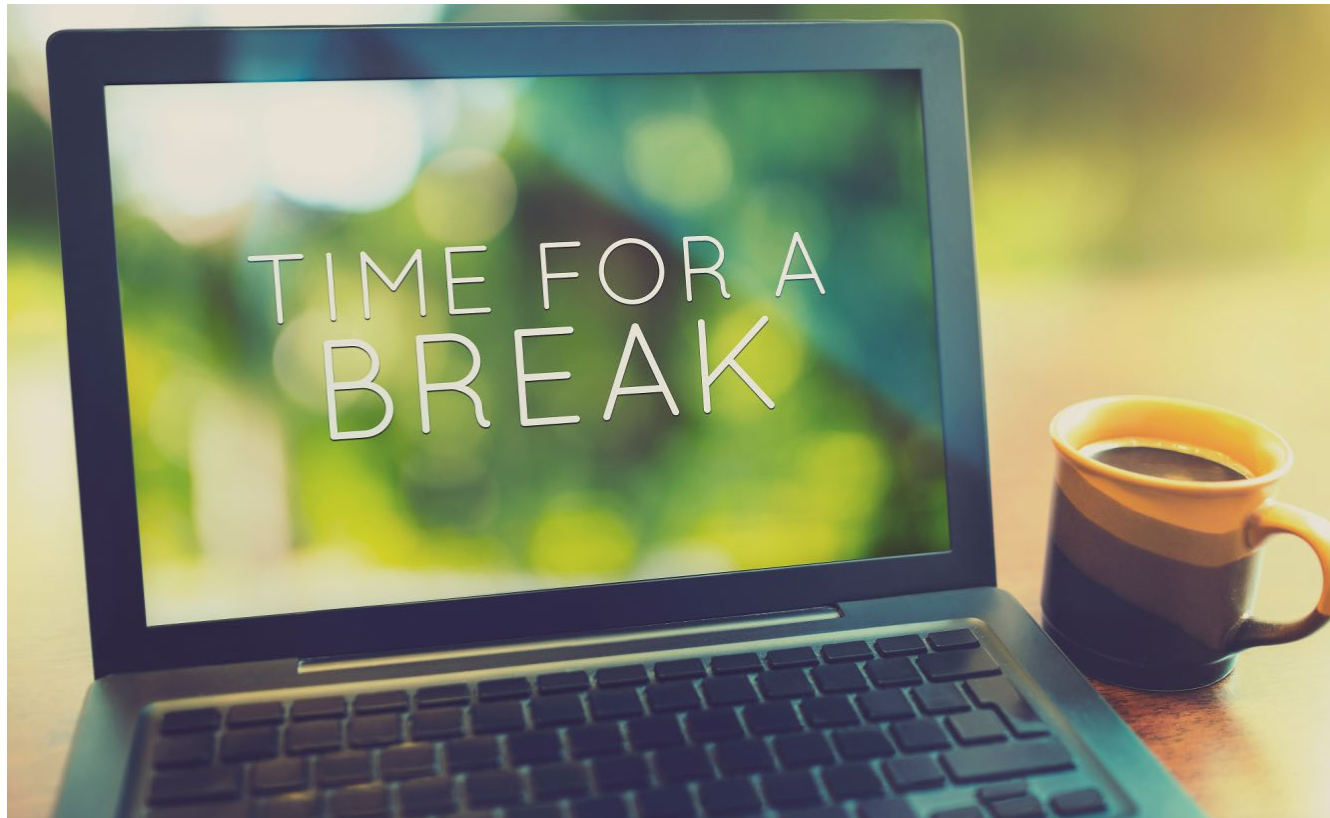
State Legislative Update

State Budget Review

- \$308 billion budget
- \$53.9 billion for climate change investments
 - \$5.2 billion – Bolstering water resilience
 - \$2.7 billion – Supporting wildfire mitigation
 - \$6.1 billion - Accelerating ZEV Transition
 - \$4.3 billion – Building energy system of the future
 - Keeping the lights on this summer
 - Investing in clean energy
 - Providing utility bill assistance

Budget Trailer Bills

- Hydrogen Electrolyzer Funding - \$4 billion for clean energy
- Sediment at McKay's Point Reservoir - \$3 billion for clean water priorities
- Planning Reserve Margin
- Administration's 2022 Climate Proposal

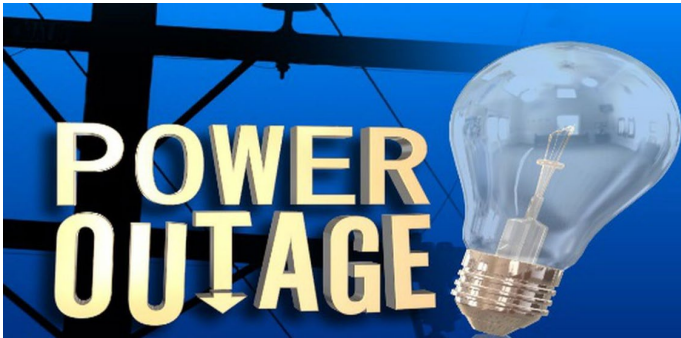


Regulatory Affairs Report



Scott Tomashefsky

Regulatory Agency Focus

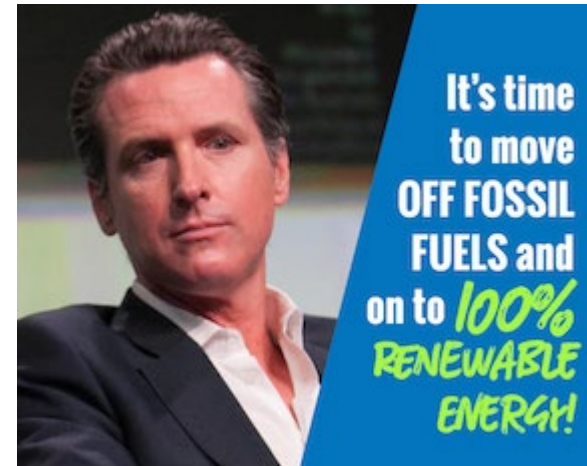


Versus



Governor Newsom's Five Part Climate Proposal

- Codify statewide carbon neutrality goal
- Accelerate 2030 GHG reduction targets
- Establish interim clean electricity targets on the pathway to 2045
- Establish framework for carbon removal and capture
- Protect communities from oil industry activities



Legislative proposals to incorporate proposals are part of end-of-session debate at the State Capitol

Regulatory Update Keeping the Lights On

- California Strategic Electricity Reliability Reserve
- Three programs designed to meet peak needs
 - CEC Demand Side Grid Program
 - Distributed Electricity Backup Assets Program
 - Electricity Supply Reliability Reserve



Regulatory Update

Keeping the Lights On

Planning Reserve Margin (PRM)

- (a) On or before 12/31/23, the CEC shall, as part of a transparent public process that includes input from industry stakeholders, and in direct collaboration with representatives of local POUs, and CAISO, develop recommendations about approaches to determine an appropriate minimum PRM for local POUs within the CAISO balancing authority area sufficient to ensure that the local POU is adequately accounting for its contribution to reliability in the CAISO balancing authority area.
- These recommendations shall be used by local POUs in conformance with subdivision (b) of Section 9620 of the Public Utilities Code.
- The CEC shall from time to time revise, as appropriate and in accordance with process contained in this subdivision, the planning reserve margin recommendations to ensure it remains at a level that adequately accounts for each local publicly owned electric utility's contribution to reliability.

15%

17.5%

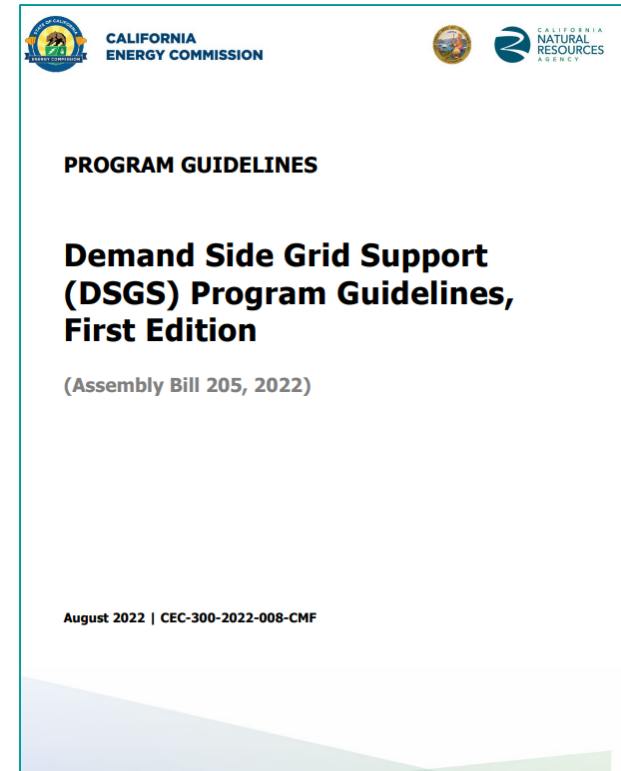
22%

More?

Regulatory Update

CEC Demand Side Grid Program

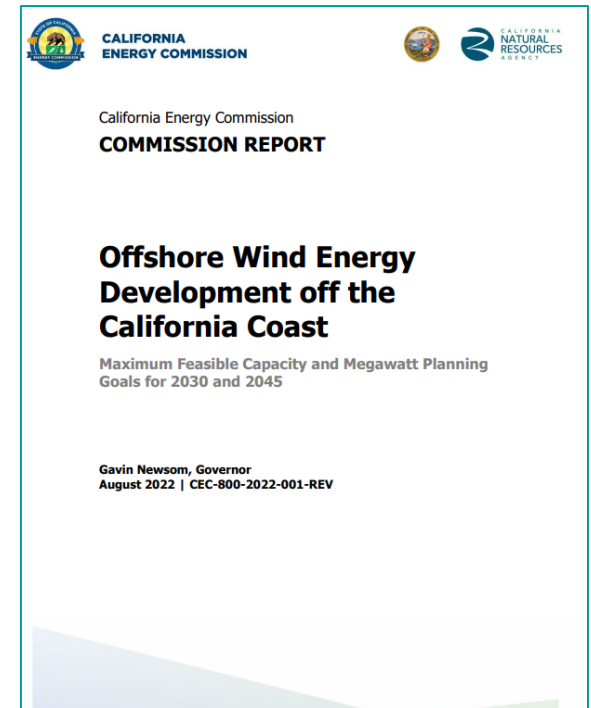
- \$200 million for POU customers who want to “help the state” by reducing load during peak demand periods
- Capacity payments up to \$2,000 per MWh paid by state budget to customers through utilities
- Available to all customers not eligible to participate in demand response or emergency load reduction programs offered by CPUC-jurisdictional entities
 - Aggregate customers within service territory



Regulatory Update

Offshore Wind Planning Target Set

- 25 GW potential by 2045
- 2-5 GW by 2030
- Focus: Central Coast and North Coast
- Offshore wind patterns offer reliable supply when solar availability begins to decline



2045 Goal is “aspirational”

Regulatory Update

Status of Diablo Canyon Nuclear Plant

- 2,800 MW due to shut down by end of 2025
- Governor proposing to extend operations through 2035
 - Includes “forgivable” \$1.4 billion loan to PG&E to help continue operations beyond 2025 closure date
- Major questions
 - What is the impact on state’s 2035 carbon reduction program?
 - What to do with waste fuel beyond 2025?
 - How does keeping the project operating impact the ability to access transmission lines for offshore wind development?



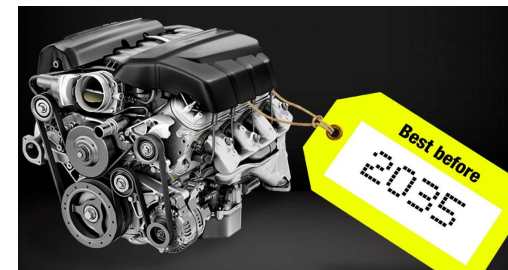
<https://www.politico.com/news/2022/08/12/california-proposes-to-extend-life-of-last-nuclear-plant> ... - Politico
 13 hours ago — Gov. Gavin Newsom's office said the nuclear plant is an important part of a clean energy transition. Governor Gavin Newsom talks to reporters.

Regulatory Update

Decarbonizing the Grid – State Activities

- CEC
 - Load Management Standards
 - Integrated Resource Plans
 - Grants and Related Funding

- CARB
 - 2022 Scoping Plan Update
 - Potential Programmatic Changes Coming
 - Advanced Clean Fleets



Regulatory Update

Decarbonizing the Grid – Federal Activities

FERC – Robust Transmission Planning

- Lots of NOPRs
 - Building for the Future
 - Generator Interconnections
 - Transmission Planning Performance Requirements
 - Extreme Weather Conditions
- Joint State-Federal Task Force
- Technical Conferences
 - Transmission Planning and Cost Considerations
 - Reliability Issues (Annual Event)



NERC – Grid Reliability

- Need to respond with more agility
- Focus on extreme events
- Cyber/Physical Security
- Enhanced analytical efforts
- NCPA Involvement
 - Chair of Compliance and Certification Committee
 - Member of Standards Committee
 - Heavy coordination with TAPS and APPA

PG&E Enhanced Powerline Safety Settings Program

Why Should You Care?

- Program allows for automatic shutdown of electric lines if the grid senses a problem
- Positive: Reduces risk of catastrophic wildfire
- Negative: More frequent outages as utility engineers manually reset reclosers
- Problems:
 - General public won't care about why the lights are out, but will likely blame utility for the outages
 - Outages are not brief

2022 YTD Summary	
Category	Count
Medical Base line	55,045
Life Support	38,356
Critical Customers	14,010
Hospitals	91
Schools	1,646
Overall CAIDI	189
Restored <60 Mins	86
Total Outages	964
Total Customers Experiencing Outages	852,179

July 2022 Summary	
Category	Count
Medical Base line	22,734
Life Support	15,870
Critical Customers	5,453
Hospitals	42
Schools	604
Overall CAIDI	181
Restored <60 Mins	42
Total Outages	383
Total Customers Experiencing Outages	351,076

Source: PG&E Monthly Outage Report, August 2022

Customer Programs Update



Emily Lemei

Advanced Clean Fleets Rulemaking

- Rulemaking package expected on September 2, Board hearing on October 27-28
 - CARB Staff still meeting with fleets and discussing potential changes, but limited to “minor tweaks”
 - Focus on: Lowering threshold for mutual aid exemption; Defining “commercial availability”; Accounting for fleet needs & specifications
- Next steps:
 - Provide additional redlines and feedback to CARB staff to improve regulatory language
 - CARB Board Member meetings, potential field trip
 - Legislative fix?



Low Carbon Fuel Standard Rulemaking



- Credit prices continue to drop, endangering utility EV incentives and programs
- Need for CARB to increase stringency of the LCFS to increase demand – but unlikely to happen before 2024
- Other topics that may be addressed in rulemaking:
 - Refocus of funding from vehicles/chargers to upstream electricity costs?
 - Capacity credits for fast chargers and hydrogen fueling?
 - Limits on fuels derived from livestock operations?
 - Equity?



Clean Fuel Reward (CFR) Paused as of September 1



How does this impact the utilities? And what can we do to fix it?

- The program is regulatory, and can only be changed via regulations. The CFR may be modified in the next regulatory update to address issues.
- Utilities are required to continue deposits, and small POUs must sign the CFR joinder by December 31, 2022.
- Discussions will be held with CARB, Equity groups, Manufacturers, Dealers, and other interested stakeholders on how and when to restart the CFR

Customer Programs Funding Watch

- Federal:
 - National Electric Vehicle Infrastructure (NEVI) funding
 - Corridor and Community grants
 - Vehicle Technologies Office Funding Opportunity Announcement
 - Inflation Reduction Act (IRA) ZEV and energy efficiency rebates
- State:
 - EnergIZE for commercial ZEVs
 - CALeVIP 2.0 for Fast Chargers
 - “Communities in Charge” for Level 2 chargers
 - Additional solicitations for MD/HD Technologies expected

Upcoming Events

- **2022 NCPA Annual Conference**
 - Date: September 21 — 23
 - Location: Olympic Valley, CA

- **2023 Strategic Issues Conference**
 - Date: January 18
 - Location: Sacramento, CA

- **2023 APPA Legislative Rally**
 - Date: February 27 — March 1
 - Location: Washington, DC



