

Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

SB 1434 (Leyva) – As Amended May 2, 2018

SENATE VOTE: 29-7

SUBJECT: Transportation electrification: electricity rate design

SUMMARY: Requires electric corporations (IOUs) to file rate design applications with the California Public Utilities Commission (CPUC) for transit agencies to support and accelerate the deployment of zero-emission transit buses. Specifically, **this bill:**

- 1) Requires an IOU with more than 100,000 service connections to file a rate design application that is specific to transit agencies as commercial customers to support and accelerate the deployment of zero-emission buses while seeking to minimize overall costs, and maximize overall benefits, to ratepayers and transit agencies.
- 2) Permits an IOU with 100,000 or fewer service connections to file a rate design application that is specific to transit agencies as commercial customers that supports and accelerates the deployment of zero-emission transit buses while seeking to minimize overall costs, maximize overall benefits to ratepayers and transit agencies, and is in the interest of ratepayers as defined in Public Utilities Code section 740.8.

EXISTING LAW:

- 1) Requires that all charges demanded or received by any public utility for any product, commodity or service be just and reasonable, and that every unjust or unreasonable charge is unlawful. (Public Utilities Code § 451)
- 2) Requires the CPUC to establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability and conservation. (Public Utilities Code § 739.6)
- 3) Defines “interests” of ratepayers, for the purposes of transportation electrification, to mean direct benefits that are specific to ratepayers, consistent with both safer and more reliable service or less costly gas or electrical service including due to either improved use of the electric system or improved integration of renewable energy generation and any other benefits, as specified. (Public Utilities Code § 740.8)
- 4) Requires the CPUC to evaluate and implement policies to promote the development of equipment and infrastructure needed to facilitate the use of electric power and natural gas to fuel low-emission vehicles and specifically authorize IOUs to develop equipment or infrastructure needed for electric-powered and natural gas-fueled low-emission vehicles. (Public Utilities Code § 740.3)

- 5) Requires IOUs to file applications for programs and investments to accelerate widespread transportation electrification which seek to minimize overall costs and maximize overall benefits, and requires the CPUC to approve, or modify and approve, programs and investments in transportation electrification, including charging infrastructure, through a reasonable cost recovery mechanism, if they do not unfairly compete with nonutility enterprises, include performance accountability measures, and are in the interests of ratepayers. (Public Utilities Code § 740.12)
- 6) Requires the California Air Resources Board (CARB) to identify and adopt appropriate policies, rules, or regulations to remove regulatory disincentives preventing retail sellers and local publicly owned electric utilities from facilitating the achievement of greenhouse gas (GHG) emission reductions in other sectors through increased investments in transportation electrification. Policies to be considered shall include, but are not limited to, an allocation of GHG emissions allowances to retail sellers and local publicly owned electric utilities, or other regulatory mechanisms, to account for increased GHG emissions in the electric sector from transportation electrification. (Health & Safety Code § 44258.5)

FISCAL EFFECT: According to the Senate Appropriations Committee:

- One-time costs to the CPUC in years 1 through 2 to cover of approximately \$275,000 (Transportation Reimbursement Account) for staff and travel necessary to analyze change in current utility rate designs, preside over stakeholders, and manage proceeding.
- Ongoing CPUC costs of approximately \$175,000 (Transportation Reimbursement Account) to coordinate new rate design with existing utility tariffs that are applicable to transit agencies and work with utilities on implementation and outreach to transit customers. Track costs of new rates and analyze efficacy of rate design.

BACKGROUND:

Innovative Clean Transit (ICT) – CARB is developing strategies to transition the heavy-duty mobile source sector to zero and near-zero emission technologies to meet air quality, climate, and public health protection goals. Proposed regulations in this initiative would require transit agencies to develop individual plans to transition to a zero-emission bus fleet by 2040.

Hybrid and Zero-Emission Truck & Bus Voucher Incentive Project (HVIP) – This CARB program helps ALL fleets buy hybrid and battery-electric trucks and buses. Vouchers are targeted to offset approximately 80% the incremental cost of hybrid and electric trucks and buses. It is funded by the Air Quality Improvement Program and Greenhouse Gas Reduction Funds.

CPUC Electrification Efforts – The CPUC has an ongoing proceeding to develop policies to ensure that ZEVs efficiently integrate with the utility grid and have access to fair rates that encourage electrification. The utilities are in different phases of program development but all

have EV charging rates for residential customers which allow EV drivers to fuel their vehicle for less than the equivalent cost of gasoline.

Commercial rates for charging vehicles appear to be in different phases of development including pilots. There are no EV charging rates specific to fleets or public transit.

Two of the three utilities (PG&E & SCE) have charging infrastructure programs, funded through increases in distribution rates for all customers, for “make-ready” charging infrastructure to support fleets of medium- and heavy-duty vehicles which includes municipal bus transit depots.

PG&E, for example, will provide make-ready infrastructure for non-light-duty electric vehicles for customers who commit to purchasing electric vehicles at 700 sites for up to 8,800 charging points, PG&E would own, operate and maintain the make-ready infrastructure, but not the charging equipment (EVSE). The make-ready includes every component from the distribution circuit up to the stub for the EVSE or idle-reduction equipment. PG&E will provide a new service connection with meters and panels exclusively for the make-ready installation.

Low Carbon Fuel Standard (LCFS) – The LCFS is a regulation designed to reduce GHG emissions associated with the lifecycle of transportation fuels used in California. The lifecycle of a fuel includes the emissions associated with producing, transporting, distributing and using the fuel. The regulation reduces lifecycle GHG emissions by assessing a “carbon intensity” score to each transportation fuel based on its lifecycle assessment. Transit Agencies may opt into LCFS and generate credits, under the categories of EV fleet operators, battery switch station owners, and fixed guideway system operators. Those credits then have a market value and can be sold to producers and importers of finished fuels such as gasoline and diesel fuel.

COMMENTS:

- 1) Author’s Statement. SB 1434 supports widespread electrification of California’s transit bus fleet, by addressing the high cost of electricity as fuel, which may make operating battery-electric buses uneconomic for transit agencies. Widespread electrification of California’s transit fleet will be vital for meeting the state’s SB 32 goals and continued reductions in criteria pollutants and toxic air contaminants. Such advancements will result in cleaner, healthier communities.
- 2) EV Charging Rates. The IOUs have established EV rates for residential and commercial customers. Fundamentally, the rates are time-of-use rates which incent the customer to charge off-peak (currently at night) and result in a cost of fuel for the EV which is less than gasoline would be for a car.

Funding will be available to the transit agencies to offset the costs of transitioning to an electric fleet through LCFS credits. Charging infrastructure is being funded by the IOUs. CARB has available vouchers to offset 80% of the incremental cost of electric busses. Commercial EV charging rates are available through the IOUs.

However, the transit agencies are concerned that the costs of electricity as fuel “far

exceeds the cost of CNG and diesel.” This impact is not the same for a typical residential customer who converts from gasoline to electricity as a fuel supply. By charging at night, those customers will see a reduction in fuel costs. The sponsor, the California Transit Agency, reports that the goal of this bill is to:

...simply direct the PUC to initiate a ratemaking proceeding, specific to transit agencies, with the goal of securing an electricity rate structure that supports widespread transit electrification. Rather than prescribe a specific rate structure in statute, which could have unintended consequences to ratepayers, our approach would bring relevant stakeholder together to deliberate on an appropriate rate structure for transit agencies that is fair to all parties.

This is a reasonable goal. However, there is concern that the intent of the sponsor is to use their current fuel costs as a gauge against which new electricity rates would be measured to ensure that fuel costs would be lower. This is not a standard for electricity ratemaking and could result in a cost-shift to other customers.

- 3) Free Ride for Community Choice Aggregators (CCAs). A growing number of IOU customers, particularly in urban areas and coastal counties have moved to CCAs as their electricity provider. The specialized transit rates for the charging of electric buses mandated by this bill would not apply to CCAs. The CCAs are not required to offer any specialized rates.

This leaves a schism – IOUs have fewer and fewer customers across which the costs of special rate treatment can be shifted. Moreover, it should not go unnoticed that some municipalities are starting to cherry-pick. The county board of supervisors or city council votes to establish or join a CCA in their region which triggers a default enrollment for all customers in the municipality. They are given the opportunity to opt-out of the CCA. Some municipal customers exercise that opportunity and remain with the IOU where rates have been designed to serve specific needs.

- 4) Double Referral. Should this bill be adopted by the committee, it must be referred to the Assembly Communications & Conveyance Committee for its consideration.
- 5) Related Legislation.

SB 1000 (Lara) Requires the California Energy Commission (CEC) to evaluate the extent to which charging infrastructure is proportionately deployed and use funds to more proportionately deploy chargers as needed. This bill also requires the CPUC to explore facilitating the development of technologies that promote grid integration, submetering capabilities for residential charging stations, integrating dynamic pricing models that reflect excess grid capacity, and adopting a tariff for heavy duty electric vehicles that encourages charging during periods of excess grid capacity. Status: In Assembly; pending referral.

SB 1479 (Stern) Adopts electricity billing requirements applicable to the Los Angeles County Metropolitan Transportation Authority that are similar to the requirements

applicable to Bay Area Regional Transit (BART), but would also impose those requirements applicable to an electrical corporation in the BART statute on a local publicly owned electric utility. Status: Held in Senate Energy, Utilities & Communications Committee.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Transit Association (Sponsor)
BYD Motors, Inc.
City of Santa Monica
Coalition for Clean Air
Foothill Transit Executive Board
Livermore Amador Valley Transit Authority
Los Angeles County Metropolitan Transportation Authority
Monterey-Salinas Transit
Orange County Transportation Authority
Proterra Inc.
San Diego Metropolitan Transit System
San Francisco Municipal Transportation Agency (SFMTA)
San Joaquin Regional Transit District
Santa Clara Valley Transportation Authority
Santa Cruz Metropolitan Transit District

Opposition

None on file.

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