



City of Anaheim
PUBLIC UTILITIES DEPARTMENT

DATE: OCTOBER 27, 2021
TO: PUBLIC UTILITIES BOARD
FROM: PUBLIC UTILITIES GENERAL MANAGER
SUBJECT: ANAHEIM PUBLIC UTILITIES 2021 STATE LEGISLATIVE UPDATE

This item is for information only.

DISCUSSION:

Anaheim Public Utilities (APU) monitored approximately 200 bills in the 2021 legislative year covering electric, water and other relevant issues having potential impact to utility operations and customer costs. The legislative process this year reflected a more 'business as usual' approach compared to the unprecedented changes last year due to COVID-19. This year, the State Legislature limited the number of bills members could advance to twelve bills, after recognizing the challenges of holding legislative hearings under the COVID-19 physical distancing protocols at the Capitol. Throughout this legislative session, APU continued to advocate on behalf of its customers, including collaborating with similarly situated utilities through the California Municipal Utilities Association and the Southern California Public Power Authority, to ensure legislation addressed local concerns and mitigated impacts to the extent possible.

The Legislature was very active early in the year with bills proposing aggressive clean energy targets, expanding restrictions on water service disconnections and other potentially impactful legislation. Through successful advocacy efforts, these problematic bills were either not enacted or were amended to minimize negative impacts. After the bill limits were enacted, the year became more focused on priority issues such as addressing the impacts of COVID-19. This included passing ground-breaking legislation which provides financial assistance with electric and water service customer arrearages that accrued during the COVID-19 pandemic (discussed further below).

During this first year of the 2021-22 Legislative Session, 49 bills were enacted into law and four bills were vetoed (Attachment 1). The newly enacted laws are not expected to have significant impacts on utility operations. However, there are several concerning bills that did not advance this year but will be eligible for reconsideration early next year.

Energy-Related Legislation

Of the energy-related bills monitored this year, 23 were chaptered into law and three vetoed. The energy-related bills chaptered into law are not expected to significantly impact operations in large part due to the successful advocacy efforts this year and work with legislators to modify potentially negatively impactful bill language. The following energy bills were of significant interest to APU and closely monitored.

AB 525 (Chiu-D) directs the Energy Commission (CEC) and other State agencies to develop a strategic plan for offshore wind (OSW) energy development off the California coast. The plan must include specified elements including, but not limited to, the maximum feasible capacity of OSW in the State, identification of suitable sea space, and needed transmission investments and upgrades. The law is intended to study and understand the potential opportunities for OSW development in the State. APU does not anticipate any significant impacts since the law does not impose any mandate to procure OSW energy.

SB 423 (Stern-D) directs the CEC and other State agencies to conduct an assessment of firm zero-carbon resources, which generally refers to electricity resources that are zero-emitting and have high availability during extreme or atypical weather events. This law stems from the statewide rotating outages in August 2020 that were initiated by California Independent System Operator during a West-wide extreme heat wave. APU worked with its industry groups to address language in prior versions of the bill that could have increased the State's involvement over procurement decisions by local publicly-owned electric utilities. APU also worked through its industry groups to narrow the final bill to focus on assessment of firm zero-carbon resources and is not anticipated to significantly impact APU.

See Attachment 2, *Estimated Cost Impacts of Legislation Impacting Electric Operations*, for further information on enacted electric bills with cost impacts to APU customers.

Water-Related Legislation

Of the water-related bills monitored, eight bills were chaptered into law. The water-related bills chaptered into law are not expected to negatively impact operations. Rather, the following chaptered bill is beneficial for APU and other water agencies.

SB 323 (Caballero-D) establishes a 120-day statute of limitations for lawsuits to challenge water or sewer service fees or charges adopted or modified after January 1, 2022. This law will provide a statute of limitation to public water and sewer rate challenges that are consistent with the limitations already available to fees and charges that fund other essential government services. This law stems from the growing number of Proposition 218 challenges against water and sewer agency fees/rates including a recent challenge to a water fee that was adopted several years before the lawsuit was filed.

See Attachment 3, *Estimated Cost Impacts of Legislation Impacting Water Operations*, for further information on enacted water bills with cost impacts to APU customers.

Department-Related Legislation

In light of the significant amount of past due electric and water utility bills statewide resulting from the impacts of the COVID-19 pandemic, publicly-owned electric and water utilities, including APU, collectively advocated the State Legislature to provide assistance for those arrearages. These advocacy efforts were successful with the Legislature's passage of **AB 135** and **AB 148**, which established two new programs to provide funding to electric and water utilities for unpaid utility bills as described below.

APU is working with the administrating agencies in securing funding for its electric and water arrearages.

AB 135 (Committee on Budget) establishes the California Arrearage Payment Program (CAPP) and makes available roughly \$300 million to electric publicly-owned utility arrearages. The funding assistance is for past due electric utility bills accrued between March 4, 2020 to June 15, 2021. Residential and commercial customer accounts are eligible but prioritizing customer classes will be necessary, if the funding allocation a utility receives does not adequately cover its requested arrearages. The State Community Services and Development Department is administering the CAPP and must distribute funding by January 31, 2022.

AB 148 (Committee on Budget) establishes the California Water and Wastewater Arrearage Payment Program and makes available almost \$1 billion for water and wastewater arrearages. The funding assistance is for past due utility bills accrued between March 4, 2020 to June 15, 2021. The State Water Resources Control Board (SWRCB) is administering the program and at this time, anticipates that there will be adequate funding to cover all water arrearages requested by water utilities. The SWRCB anticipates to issue funds to water utilities in Winter 2020 and to initiate the wastewater arrearage program in early 2022.

Potential and/or Upcoming Legislative Issues

As mentioned above, the 2021 legislative year saw a smaller number of bills advance due to the logistical challenges of holding legislative hearings in light of COVID-19 safety protocols. However, there were several bills introduced this year that could have substantially impacted APU that while they did not advance, could be heard again next year which is the second year of a two year Legislative Session. APU anticipates that Legislative bills in 2022 may address the following issues:

- Acceleration of the State's 100% clean energy planning policies.
- Establishment of a process for central procurement of energy resources.
- Creation of a permanent water and wastewater rate assistance program.
- Mandates to procure or deploy specific types of energy resources and storage such as pumped-hydroelectric energy storage, microgrids, and others.
- Institution of more stringent residential water use efficiency standards.

CONCLUSION:

APU continues to advocate on behalf of its customer-owners to support legislation that provides benefits to them and to work to prevent legislation that undermines local control and services, and/or increases costs to customers. Information regarding the financial and operational impacts to APU from legislation are posted at <http://www.anaheim.net/632/Legislative-Impact-on-Utilities>, which includes estimated annual cost impacts.

Attachments:

1. APU 2021 Chaptered Bills Report
2. Estimated Cost Impacts of Legislation Impacting Electric Operations
3. Estimated Cost Impacts of Legislation Impacting Water Operations