


# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: September 1, 2015

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File No: 15-0002-S93  
Assignment No: 15-08-0658

SUBJECT: Resolution (Koretz - O'Farrell - Bonin) to SUPPORT SB 350 (De Leon and Leno) – The Clean Energy and Pollution Reduction Act of 2015

CLA RECOMMENDATION: Adopt Resolution (Koretz - O'Farrell - Bonin) to include in the City's 2015-2016 State Legislative Program SUPPORT for SB 350 (De Leon and Leno) IF AMENDED to allow all forms of solar power systems to count without limitation as "Bucket 1" towards the 50% Renewable Portfolio Standard (RPS) as proposed under the measure.

SUMMARY:

Resolution (Koretz - O'Farrell - Bonin), introduced on August 14, 2015, states that existing state law, establishes the Renewables Portfolio Standard (RPS) Program which seeks to increase renewable energy procurement by 33% by December 2020. The Resolution indicates that most energy providers have purchased or have put in place enough energy resources to meet the 33% RPS target by the mandated year.

The Resolution follows that SB 350 (De Leon and Leno) proposes to increase the RPS target to 50% by 2030. In addition, the measure seeks to reduce petroleum use in the transportation sector by 50% by 2030. The Resolution stresses that this may be achieved by increasing on-road fuel efficiency of cars and light trucks to at least 35 mpg; and improving the efficiency of heavy-duty vehicles.

Furthermore, SB 350 calls for increasing energy efficiency in residential and no-residential buildings; and would require the state's Energy Commission to review performance and update the program every three years.

The Resolution notes that clean energy affects the demand for and supply of conventional energy and can result in positive effects on the environment by improving air quality, reducing greenhouse gases and decrease the impacts of climate change.

In order to effectively mitigate the effects of climate change, the Resolution follows that all forms of solar power systems should count towards the 50% RPS goal proposed under the measure.

Therefore, the Resolution requests that the City support SB 350 if amended to allow for this change; thereby designating all forms of solar power systems “Bucket 1” eligible as it relates to the RPS program.

#### BACKGROUND:

According to the author, SB 350 enacts policies that build on the state’s economic growth by strengthening incentives for clean energy technology and energy efficiency. The key components of the measure consist of:

- 50% of electricity coming from renewable sources;
- 50% less petroleum use; and
- 50% better efficiency in our buildings.

The author contends these standards will send a strong signal to the state’s businesses to drive innovation and investment resulting in more jobs and state revenue. In addition, the bill’s objectives are consistent with goals announced by the Governor during his inaugural address.

#### *“Bucket 1” Eligibility*

The state's RPS rules provides for three compliance Portfolio Content Categories with Portfolio Content Category 1 or “Bucket 1” being the most beneficial for regulated utilities since it provides the highest compliance credit.

The Department of Water and Power’s (DWP) Solar Incentive Program (SIP), which is a solar net-metering program, provides incentives for residential and commercial customers to install solar power systems on their homes and facilities. To date, the SIP has enabled the successful installation of over 139 MWs of electricity generation capacity throughout the City and helped the City meet RPS compliance requirements.

Under the state’s current RPS compliance rules, the SIP, and similar solar net-metering programs, fall within Portfolio Content Category 3 or “Bucket 3” which provides the lowest compliance credit. Given this, the Portfolio Content Category 3 designation severely diminishes the compliance value of these systems and limits the expansion of a thriving solar net-metering program.

#### *Prior Council Action*

In an effort to address this matter, the City Council adopted a Resolution (CF# 14-0002-S101; Fuentes - Blumenfield) on November 14, 2014, to include in the City’s State Legislative Program support for legislation/regulatory action that recognizes the City’s SIP, or similar net-metering programs, as Portfolio Content Category 1 eligible under the state’s RPS rules.

#### *Current RPS Compliance*

Under existing state RPS requirements, utilities must procure 20% renewable energy by 2013; and meet an interim procurement target of 25% by 2016 and 33% by 2020.

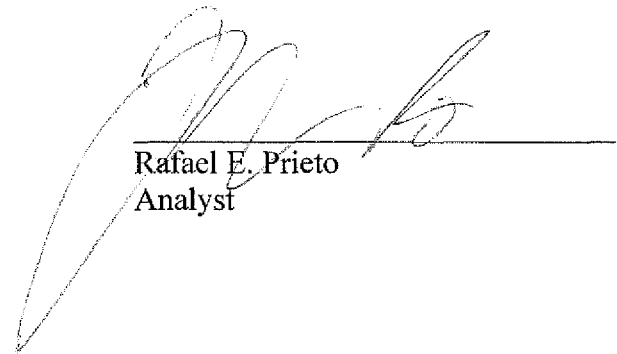
In 2010, the DWP met its RPS procurement objective of 20%. The DWP currently plans to reach a goal of 35% renewable energy procurement by 2020. Its program is comprised of the following renewable energy resources: small hydroelectric, biomass, biodiesel, digester gas, landfill gas, solar thermal, geothermal, photovoltaic, fuel cells with renewable fuels, wind and others.

DEPARTMENTS NOTIFIED

Department of Water and Power

BILL STATUS

8/2815      Passed Assembly Appropriations Committee



Rafael E. Prieto  
Analyst

Attachment: 1. Resolution (Koretz - O'Farrell - Bonin)

## RESOLUTION

**WHEREAS**, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

**WHEREAS**, California is in the midst of an unprecedented drought, aggravated by climate change, and, as of this writing, twelve thousand firefighters are battling fourteen active wildfires, which put the state on track to have one of its worst fire seasons ever; and

**WHEREAS**, the State is the 12th largest emitter of greenhouse gases in the world; and

**WHEREAS**, existing state law [SB 2-1X chapter 1 Statutes of 2011], signed by Governor Brown, establishes the California Renewables Portfolio Standard (RPS) Program, which is codified in the Public Utilities Act and expresses the intent of the Legislature in that Act, with the target to increase the amount of electricity generated per year from eligible renewable energy resources to an amount that equals at least 33% of the total electricity sold to retail customers in California per year by December 31, 2020; and

**WHEREAS**, currently, most energy utilities have bought or have built enough energy resources to meet the 33% RPS before the target year; and

**WHEREAS**, Senate Bill (SB)-350 (Senators De Leon and Leno) seeks to reduce petroleum use in the transportation sector by 50% by the year 2030. In a CA Air Resources Board analysis, one pathway towards this goal could include reducing growth in vehicle-miles traveled to 4%; increasing on-road fuel efficiency of cars and light trucks to at least 35 mpg; improving the efficiency of heavy-duty vehicles; and at least doubling the use of alternative fuels such as biofuels, electricity, and hydrogen; and

**WHEREAS**, SB-350 calls for increasing energy efficiency in buildings by 50% and would require the CA Energy Commission, by January 1, 2017, and at least once every 3 years thereafter, to adopt an update to the program in furtherance of achieving a doubling of energy efficiency in buildings by January 1, 2030 and the bill would require the Energy Commission to adopt, implement, and enforce certain policy regarding ratepayer-funded energy efficiency programs; and

**WHEREAS**, the requirements in SB 350 closely mirror the goals set by Governor Brown in his January 2015 inaugural address; and

**WHEREAS**, provisions in this bill fully correspond to the goals and targets set forth in Mayor Garcetti's Sustainable City pLAN; and

**WHEREAS**, provisions in this bill correspond to the City's Mandatory Green Building standards for private development projects; and

**WHEREAS**, clean energy affects the demand for and supply of conventional energy and can result in positive effects on the energy system, the environment, and the economy as well as improve air quality, reduce greenhouse gasses emitted and consequently decrease the impacts of global warming; and

**WHEREAS**, the City will be most impacted by the climate change by increasing temperatures, more extreme wildfires, reduced rainfall, and, because of its proximity to the ocean, sea level rise; and

**WHEREAS**, LA County has the largest number of residents in the state who will be exposed to the expected extreme heat, which will severely impact the City's most vulnerable and lower-income communities, including through dehydration, heat exhaustion, heat stroke, and can aggravate existing medical conditions such as diabetes, respiratory disease, kidney disease, and heart disease; and

**WHEREAS**, according to numerous studies, California's RPS standard has created hundreds of thousands of new jobs, millions of new investment and tax dollars, and significant clean air and climate benefits and;

**WHEREAS**, SB-350 proposes to increase the amount of renewables in California to 50% by 2030; and


**WHEREAS**, allowing all forms of solar power, including distributed generation, to count toward the 50% RPS goal is the solution that will create the greatest number of new jobs, and result in the greatest private sector investment; and

**WHEREAS**, the City strives to be a leader in progressive climate policy and its Department of Water and Power has chosen an Integrated Resources Plan that emphasizes electrification over fossil fuels; and

**WHEREAS**, the fossil fuel "natural gas" has significant environmental problems in the extraction process, including contamination of groundwater and substantial methane leaks. Methane has 20 times the global warming potency of carbon dioxide, which means it contributes significantly in the short-term to climate change. The inclusion of natural gas in SB-350 without attention to its perilous downside risks would therefore be counter to the bill's intent of providing climate leadership "to achieve ambient air quality standards and the state's climate goals;"

**NOW, THEREFORE, BE IT RESOLVED**, with the concurrence of the Mayor, that upon the adoption of this Resolution, the Los Angeles City Council hereby includes in its 2015-2016 State Legislative Program SUPPORT for SB 350 (De Leon and Leno) IF AMENDED to allow all forms of solar power to count without limitation as Bucket 1 towards the 50% RPS by 2030 obligation laid out by SB-350.

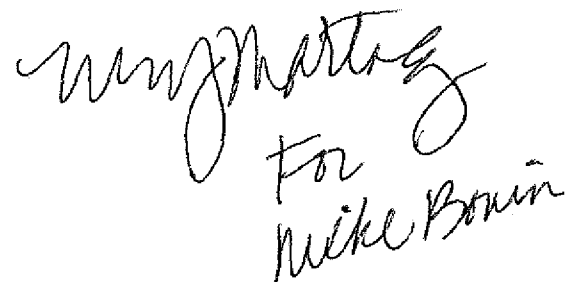
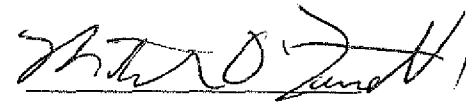
PRESENTED BY:



PAUL KORETZ

Councilmember, 5<sup>th</sup> District

SECONDED BY:



For  
Mike Bonin