



Staff Report Item 13

TO: East Bay Community Energy Board of Directors

FROM: Melissa Brandt, Senior Director of Public Affairs and Deputy General Counsel

SUBJECT: **Approve Legislative Position on Senate Bill (SB) 64 Fossil-fuel generation units (Action Item)**

DATE: June 20, 2018

Recommendation

Approve EBCE taking a formal “Support” position on SB 64 (Wieckowski).

Background and Discussion

SB 64, introduced by Senator Wieckowski, focuses on reducing emissions associated with natural gas electric generating plants, and improving air quality in disadvantaged communities. The legislation would require the California Independent System Operator (CAISO) to provide fossil-fueled electrical generating facilities’ emissions data to the Air Resources Board (ARB) quarterly. By June 1, 2019, each local air district would be charged with studying all of its facilities within its jurisdiction to examine the actual emissions, and to determine as part of its permitting process whether and how to limit operation and minimize pollutants from those units on poor air quality days. Any operating limitations would be waived in instances where the CAISO determines the unit is required for reliability.

The bill would require the California Public Utilities Commission (CPUC) and State Energy Resources Conservation and Development Commission to complete a study with recommendations on how to reduce the electrical generation from, and prioritize the retirement of, natural gas-fired electrical generating units to minimize localized air pollution, with early priority for disadvantaged communities. The CPUC would then be required to incorporate the recommendations into its integrated resource plan process.

EBCE's customers include those in disadvantaged communities who bear a burden of localized air pollution from natural-gas fired electric generation. The bill has the potential to meaningfully reduce air pollutants in disadvantaged communities on poor air quality days by requiring natural gas generators to reduce their emissions in those communities on those days. It may also affect EBCE's disadvantaged communities where a more permanent solution can be realized through fossil-fuel generator retirement. A relevant example is the Dynegy Oakland Power Plant in the Jack London Square area of Oakland. This area is already the focus of the Oakland Clean Energy Initiative which seeks to enable the power plant's retirement through EBCE and PG&E's collaboration to replace transmission constraints in the area with energy storage and possibly renewable generation and energy efficiency. SB 64 could incentivize similar projects throughout the state and accelerate their development. This would support greater decarbonization in the electric sector.

SB 64 was most recently amended in the Senate on May 10, and was introduced into the Assembly where it has been referred to the policy committee. The policy committee hearing is expected to be held in late June. If approved, EBCE will send a formal letter of support for the bill to Senator Wieckowski's office, hopefully in advance of its policy hearing.

Fiscal Impact

Not known at this time. The bill primarily requires that additional data be collected and supplied to air districts who may use the data to limit operations on poor air quality days; it is unclear whether the air districts will take actions based on the data that would diverge from the status quo. If natural gas-fired generators are subject to additional requirements to shut down during poor air quality days, or if their retirement is accelerated, it could affect the supply and thus cost of energy-related products throughout the state. An increase in energy costs has the potential to increase customer rates. This risk is somewhat mitigated by the fact that the units are exempt from the limitation if needed for reliability. It is also possible that the natural gas plants can be operated differently to avoid emissions during the worst air quality days, without an increase in costs. These fossil-based plants may also be retired in certain priority areas such as disadvantaged communities already burdened by significant air pollution, by strategic use of distributed energy resources including load management, such that there is no increase in market energy costs and in some instances a decrease in energy costs may be observed. There may be positive impacts to public health in communities facing poor local air quality.