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# Legislation Details (With Text)

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**Title:** Action on the Clean Fuel Reward Program Governance Agreement by and among Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Los Angeles Department of Water & Power, Sacramento Municipal Utility District and the Other Electric Distribution Utilities Party Hereto

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**Indexes:**

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**Attachments:** 1. Clean Fuel Rewards Governance Agreement (in substantial form)

| Date | Ver. | Action By | Action | Result |
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| 11/19/2019 | 1 | City Council and Authorities Concurrent | Approved | |

# REPORT TO COUNCIL

## SUBJECT

Action on the Clean Fuel Reward Program Governance Agreement by and among Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Los Angeles Department of Water & Power, Sacramento Municipal Utility District and the Other Electric Distribution Utilities Party Hereto

## BACKGROUND

Pursuant to Assembly Bill (AB 32), the Global Warming Solutions Act of 2006, the California Air Resources Board (CARB) developed the Low Carbon Fuel Standard (LCFS) regulation. CARB adopted the LCFS regulation in 2009 and has amended it a few times, most recently in 2018. The purpose of the regulation is to transform and diversify the transportation fuel pool, reduce petroleum dependency, and reduce emissions of air pollutants and greenhouse gases (GHGs) in California.

The LCFS regulation establishes declining annual performance standards from 2011 through 2030, measured as the average carbon intensity of transportation fuels. It applies to fuel that is sold, supplied, or offered for sale in California, and to any person responsible for that transportation fuel. Regulated entities must meet these standards by reducing the carbon intensity of their fuels and/or retiring LCFS credits.

Providers of clean fuels that already meet the 2020 standard, like electric utilities, may voluntarily opt-in to the LCFS program to generate credits. The largest California Utilities I-Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric (SDG&E), Los Angeles Department of Water and Power, and Sacramento Municipal Utility District -- along with the City of Santa Clara electric utility, Silicon Valley Power (SVP), have opted into LCFS to earn residential Electric Vehicle (EV) charging base credits for supplying electricity for residential charging of EVs.

The LCFS regulation requires utilities, as opt-in regulated credit generators for residential EV charging, to (1) use all credit proceeds from residential charging to benefit current or future EV customers in California; (2) educate the public and customers on the benefits of EV transportation (including the environmental costs and benefits of EV charging or total cost of ownership as compared to gasoline); and (3) provide rate options that encourage off-peak charging and minimize adverse impacts to the electrical grid.

On April 27, 2018, CARB approved Resolution 18-17, which directed CARB staff to work with stakeholders to explore ways to increase the size of rewards funded with LCFS credits, including through a statewide point-of-purchase rebate program, and harmonizing with other EV rebate programs.

On September 27, 2018, CARB approved Resolution 18-34, adopting amendments to the LCFS regulation, including initiating a statewide electric utility-run point-of-vehicle-purchase Clean Fuel Rewards (CFR) program funded with LCFS credit revenue.

The adopted LCFS regulation states that upon California Public Utilities Commission (CPUC) approval of PG&E’s, SCE’s, and SDG&E’s filing(s) to initiate a statewide point-of-purchase rebate, all opt-in utilities must contribute a minimum percent of base credits for residential EV charging to provide a statewide point-of-purchase rebate funded exclusively by LCFS credit proceeds. Thus, the point-of-purchase CFR program cannot materialize until all three large electric Investor Owned Utilities (IOUs) obtain approval from the CPUC to initiate the rebate program.

All types of utilities in the state must contribute a minimum percentage of residential EV charging base credits to the program. From 2019 through 2022, the minimum contribution requirement for IOUs is 67%, for large publically owned utilities (POU) it is 35%, for medium POUs it is 20%, and small POUs are not required to contribute. SVP is a medium sized POU.

The proposed CFR program would eliminate the current statewide program, the Clean Vehicle Rebate Project and establish a formula for a sliding scale point-of-purchase CFR based on battery size.

The guiding principles of the program are:

1. Accelerate the sale of EVs with an instant reduction in price to all EV purchasers in California at the point-of-sale or lease;
2. Mitigate the risk of a waitlist or program insolvency;
3. Maximize the CFR, including by stacking the CFR with other state, local, and federal incentives, while minimizing the amount of LCFS revenue expended on administration and marketing;
4. Implement the program consistent with an equity-based framework, consistent with CARB direction;
5. Provide continuity, certainty, and simplicity in the CFR program for California’s [EV] purchasers and minimize changes to the CFR amount;
6. Maximize dealer participation;
7. Launch the program as soon as possible by ensuring sufficient, fair, and timely contributions

for start-up costs using existing LCFS funds;

8. Facilitate the collection of data on EV sales in the state for grid planning, rate enrollment, and other good utility practices;
9. Promote transparency to all vested stakeholders by, among other things, publishing the CFR amount at the time of sale;
10. Create a steering committee of utilities with appropriate decision-making authority and create a supporting advisory committee comprised of stakeholders;
11. Develop robust risk mitigation and fraud management policies; and
12. Support utility co-branding and marketing of the statewide program, as well as complementary utility-specific programs.

Southern California Edison will be administering the program and may hire separate independent entities to perform certain functions, including a financial institution, one or more program implementers, and a third-party independent auditor.

**DISCUSSION**

Silicon Valley Power currently does not offer a rebate for electric vehicle purchases, only for EV charging equipment. This would expand the EV rebate offerings for the community. The intent is no matter where an EV is purchased in the State of California, the Santa Clara resident will receive the instant rebate from the City of Santa Clara/Silicon Valley Power through the dealership.

SVP is an opt-in entity in the LCFS program and therefore a mandatory participant in funding the CFR program. The City of Santa Clara will be required to execute a Joinder in order to become a Party and a Participating entity in the CFR Program Governance Agreement.

CFR participants may be required to enter into a pro forma co-funding agreement with SCE and may be required by the Governance Agreement to enter into individual agreements with the third-party implementers, including program implementers, financial institution(s), and/or program auditors.

Negotiations over the past year to finalize the contract and implementation details before the tentative January 2020 launch have been complicated but the CFR Governance Agreement is scheduled to be passed by the CPUC in November 2019. The expectation is to have all opt-in entities, such as SVP, sign the Joinder before May 2020.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organization or administrative activity that will not result in direct or indirect changes in the environment.

**FISCAL IMPACT**

There is no cost impact to the general fund or SVP customer revenues. Funding for this program will be from revenue generated through the Low Carbon Fuel Standard credits. SVP’s initial contribution requirement is $438,511 or 20% of expected LCFS credits value in 2019. Then in years 2020-2022, 20% of LCFS base residential credits generated and in years 2023 thereafter 25% of the LCFS base credits generated.

SVP Electric Vehicle program, mandated program cost FY 2019/20 and FY 2020/21 budget has taken this factor into consideration.

**COORDINATION**
This report has been coordinated with the Finance Department and City Attorney's Office.

**PUBLIC CONTACT**
Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <mailto:clerk@santaclaraca.gov> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**
1. Delegate authority to the City Manager or designee to finalize the negotiation of the Clean Fuel Reward Program Governance Agreement by and among Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Los Angeles Department of Water & Power, Sacramento Municipal Utility District and the Other Electric Distribution Utilities Party Hereto; and
2. Authorize the City Manager or designee to sign a Joinder and other CFR program related documents that may be necessary to comply with the mandatory program participation requirements.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer
Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**
1. Clean Fuel Rewards Governance Agreement (in substantial form)