

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

AB 1087 (Chiu) – As Amended April 21, 2021

**SUBJECT:** Environmental Justice Community Resilience Hubs Program

**SUMMARY:** Establishes the Environmental Justice Community Resilience Hubs Program (Program) to fund building upgrade projects in both public spaces and qualified housing, using 5% of the annual utility greenhouse gas (GHG) allowance revenue for five years.

**EXISTING LAW:**

- 1) Establishes the California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], which requires the Air Resources Board (ARB) to adopt a statewide GHG emissions limit equivalent to 1990 levels by 2020 and to adopt rules and regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions. Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030. Authorizes ARB to permit the use of market-based compliance mechanisms (i.e., the cap-and-trade program) to comply with GHG reduction regulations once specified conditions are met.
- 2) Requires direct allocations of GHG allowances to electric and gas utilities to be used for the primary benefit of retail ratepayers of each utility consistent with the goals of AB 32, and specifies that they may not be used for the primary benefit of entities or persons other than such ratepayers. Allocated allowance auction proceeds must be used to reduce GHG emissions or returned to ratepayers.
- 3) Requires the California Public Utilities Commission (CPUC) to allocate up to 15% of revenues received by an electrical investor-owned utility (IOU) as a result of the direct allocation of GHG allowances to electrical distribution utilities to be used for clean energy and energy efficiency projects and otherwise requires revenues to be credited directly to residential, small business, and emission-intensive trade-exposed customers.
- 4) Requires the CPUC, in consultation with the California Energy Commission (CEC), to develop and administer a program of incentives for near-zero and zero-emissions building technologies to significantly reduce GHG emissions below the minimum projected emissions that would otherwise be expected to result from the implementation of the state's building standards. From July 1, 2019 through June 30, 2023, requires the CPUC to allocate \$50 million annually from gas IOU GHG emissions allowance revenues for these purposes.
- 5) Establishes the California Alternate Rates for Energy Program (CARE) for assistance to low-income residential IOU customers with annual household incomes no greater than 200% of federal poverty guidelines. CARE discounts cannot be less than 30% nor greater than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers, and requires the entire discount to be provided in the form of a reduction in the overall bill for the eligible CARE customer.

- 6) Establishes the Family Electric Rate Assistance Program (FERA) for assistance to low-income residential customers of the state's three largest IOUs whose household income is between 200% and 250% of the federal poverty guidelines. The FERA discount is an 18% line-item discount applied to an eligible customer's bill calculated at the applicable rate for the billing period.
- 7) Requires electric and gas IOUs to provide weatherization assistance, and specifies that weatherization means attic insulation, caulking, weather-stripping, a low-flow showerhead, water heater blanket, and door and building envelope repairs to reduce air infiltration and may also include other building conservation measures, energy-efficient appliances, and energy education programs, determined by the CPUC, for low-income customers. This program is known as the Energy Savings Assistance Program (ESAP).
- 8) Establishes the Multifamily Affordable Housing Solar Roofs Program (also known as the Solar on Multifamily Affordable Housing Program, SOMAH) to provide financial incentives for qualified solar installations at multifamily affordable housing properties funded, from July 1, 2016 through June 30, 2020 with the possibility of a six-year extension upon CPUC determination, from approximately 10% of electric IOUs' GHG allowances.

**THIS BILL:**

- 1) From July 1, 2022 through June 30, 2027, requires the CPUC to annually allocate 5% of the revenues from the IOU allocation to fund the Program. Excludes CARE and FERA program participants from this contribution. Specifies that the allocation pursuant shall not exceed 5% of the revenues and the total combined allocations of this bill and other programs funded by direct allowances shall not exceed 20% of the revenues.
- 2) Prohibits the CPUC from including the portions of the revenues credited directly to small businesses and emissions-intensive trade-exposed retail customers of the IOU.
- 3) Specifies that the allocation shall not reduce the credits available to residential customers that are participants of CARE or FERA.
- 4) Requires an electric IOU to award funds for the Program to a third-party administrator selected by the CPUC for competitive grants to owners of critical community institutions for building upgrade projects that demonstrate community engagement, multi-stakeholder partnerships, reflect the geographic diversity of the state, and are installed at the institutions.
  - a) Defines "critical community institutions" as institutions necessary for providing vital community functions during states of emergency and natural disasters in disadvantaged or vulnerable communities.
- 5) Permits an electric IOU or third-party administrator to accept additional funds from other sources to fund the grants.
- 6) By November 1, 2022, requires the CPUC to establish eligibility criteria for comprehensive building upgrades that meet the Program's goals to reduce GHG emissions and criteria air pollutants and to enhance community resilience to climate change events in disadvantaged or vulnerable communities. Requires that the upgrades do not receive duplicative funding for the same technology or measure from other programs.

- 7) Requires the CPUC to establish the Program, to be jointly operated among all the participating electrical corporations and consistent across the utility territories.
- 8) Prohibits more than 10% of the Program funds from being used for administration, technical assistance, and outreach.
- 9) Requires the administrator to:
  - a) Provide technical assistance to program applicants;
  - b) Assess the landscape of other public benefit programs that program applicants may be eligible to access. To the extent possible, the administrator shall support program applicants in accessing other public benefit programs relating to energy in order to coordinate any available, complementary funding sources; and,
  - c) Ensure that the competitive grants are only awarded throughout the applicable electrical IOU's service territory.
- 10) Requires the CPUC to establish local hiring requirements, wage requirements, requirements to partner with state-sanctioned apprenticeships programs, and strong workforce standards for the Program in order to provide economic development benefits to disadvantaged communities.
- 11) States legislative findings relating to the need for community resilience to cope with and survive during emergencies. Declares the goal of the Legislature to make clean, renewable, and resilient energy systems more accessible to disadvantaged communities and vulnerable populations and to install those systems in a manner that represents the geographic diversity of the state.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

1) **Author's statement:**

AB 1087 is based on the premise that resilience is built before disaster. Currently, environmental justice communities are bearing the brunt of intersecting and intensifying crises – from wildfires and power shutoffs to extreme heat and flooding to a lack of secure and affordable housing.

This bill aims to rehab existing buildings that communities depend on for housing and vital support services. Improvements to these buildings will reduce local pollution, provide access to clean energy, improve safety and affordability of these buildings, and improve community resiliency against the worst effects of climate change. While the state offers a handful of underfunded and siloed clean energy programs, some of which are available to environmental justice communities, the existing offerings are uncoordinated, difficult to navigate, and insufficient in size and scope compared to the need for resilient infrastructure.

AB 1087 addresses these problems by reallocating funding from the California Climate Credit towards creating a new resilience hubs grant program. Currently, most consumers only receive a small credit, averaging \$120 annually on their utility bill from this program. This bill allows consumers to pool those revenues towards coordinating existing programs and making improvements in shared community facilities.

This program would boost the climate change resilience of institutions that communities trust (such as affordable housing, libraries, schools, health clinics, and places of worship) with building upgrades such as improved building insulation for extreme heat protection, clean energy microgrids installation for backup power during grid outages, and air filtration systems to combat wildfire smoke. In addition to eliminating climate pollution and supporting the transition to a clean energy economy, these upgrades would transform buildings into what we call “resilience hubs”: community-serving facilities that offer people space to gather, organize, and access services not only during climate disasters, but on a daily basis.

- 2) **The California Climate Credit.** California ratepayers receive regular bill credits as part of the proceeds arising from their utility’s participation in the state’s cap-and-trade program. The cap-and-trade program applies to facilities that emit more than 25,000 metric tons of carbon dioxide equivalents per year, as well as any facilities with lower emissions that opt-in to the program. These facilities include large electric power plants, large industrial plants, and fuel distributors (e.g., natural gas and petroleum).

ARB distributes allowances to the cap-and-trade market through direct allocation to regulated entities and through the sale at auction to all market participants. Electric and natural gas IOUs are required to consign to auction a certain portion of the GHG allowances they receive. The proceeds generated from such sales must be primarily used for the benefit of retail ratepayers. For electric IOUs customers, these funds are returned via a credit on their utility bills, known as the Climate Credit. Statute requires 85% of the funds to be used for the Climate Credit and permits the CPUC to allocate the remaining 15% for clean energy and energy efficiency projects.

From 2013 to 2020, the electric IOUs returned \$6.3 billion directly to customers. Proceeds are returned to customers via three mechanisms – the industrial assistance credit, the small business climate credit, and the residential Climate Credit. The residential Climate Credit is provided on residential customers’ bills twice annually in the spring and fall.

As ARB continues to lower the “cap” in the cap-and-trade program to help California reach its GHG emissions reduction goals, it is expected that the total amount of available allowances, including proceeds from electric IOU sales of their allowances, will decrease, which will result in reduced funding for the Climate Credit and associated programs.

- 3) **GHG allowance proceed programs.** Up to 15% of the electric IOU auction proceeds may be used for clean energy or energy efficiency projects. The largest of these programs is SOMAH, authorized by AB 693 (Eggman, Chapter 582, Statutes of 2015). The SOMAH program uses \$100 million or 10% of the IOUs’ auction proceeds, whichever is less, to

provide financial incentives for the installation of solar energy photovoltaic (PV) systems on multifamily affordable housing properties throughout California.

In addition to SOMAH, the CPUC developed three programs to increase the adoption of renewable generation in disadvantaged communities. The CPUC funded these programs with allowance proceeds, if funds were available under the 15% limit; otherwise, if such funds were exhausted, the programs would access public purpose program funding. The Disadvantaged Communities Single-Family Solar Homes (DAC-SASH) program enables income-qualified homeowners in disadvantaged communities to receive no-cost rooftop solar installations. The Disadvantaged Communities-Green Tariff (DAC-GT) program enables income-qualified, residential customers in disadvantaged communities who may be unable to install solar on their roof to benefit from utility-scale clean energy and receive a 20% bill discount. The Community Solar Green Tariff (CSGT) program enables residential customers in disadvantaged communities who may be unable to install solar on their roof to benefit from a local solar project and receive a 20% bill discount.

- 4) **Double referral.** This bill was heard by the Assembly Utilities and Energy Committee on April 7th and passed with a vote of 8-3.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

350 Butte County  
 350 Silicon Valley  
 50 Acterra Action for a Healthy Planet  
 Acterra  
 ActiveSVG  
 Asian Pacific Environmental Network  
 Bay Area Regional Health Inequities Initiative  
 California Alliance of Nurses for Healthy Environments  
 California Coastkeeper Alliance  
 California Environmental Justice Alliance  
 California League of Conservation Voters  
 California Releaf  
 California Solar & Storage Association  
 California Walks  
 Carbon Cycle Institute  
 Catholic Charities of The Diocese of Stockton  
 Center for Community Action & Environmental Justice  
 Center on Race, Poverty & the Environment  
 Central Coast Alliance United for A Sustainable Economy  
 Ceres  
 Clean Water Action  
 Climate Compassion  
 Climate Equity Policy Center  
 Coalition for A California Green New Deal  
 Communities for a Better Environment  
 Converging Storms Action Network

Cooperation Humboldt  
Courage California  
Elders Climate Action, NorCal and SoCal Chapters  
Environmental Working Group  
Essential Food and Medicine  
Fossil Free California  
Greenbank Associates  
Greenbelt Alliance  
Grid Alternatives  
Human Impact Partners  
Industrial District Green  
Little Manila Rising  
Local Clean Energy Alliance  
Local Government Commission  
Los Angeles Neighborhood Land Trust  
Natural Resources Defense Council  
NorCal Resilience Network  
People Power Solar Cooperative  
Physicians for Social Responsibility - Los Angeles  
Policy Link  
Re-Up Refill Shop  
Reclaim Our Power: Utility Justice Campaign  
Redwood Energy  
Regional Asthma Management & Prevention  
Resilience Cooperation Humboldt  
Rising Sun Center for Opportunity  
Romero Institute  
Sacramento Area Congregations Together  
Safe Routes to School National Partnership  
Sierra Club California  
Stone Energy Associates  
Strategic Concepts in Organizing and Policy Education  
Sunrise Bay Area  
Sunrun  
Surfrider Foundation  
Sustainable Claremont  
The Climate Center  
The Greenlining Institute  
Union of Concerned Scientists  
University of California Los Angeles  
Vote Solar  
1 Individual

**Opposition**

California Large Energy Consumers Association  
Edison International and Affiliates, Including Southern California Edison  
Pacific Gas and Electric Company  
Sempra Energy Utilities

The Utility Reform Network (unless amended)

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