City of Anaheim

PUBLIC UTILITIES DEPARTMENT

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| **DATE:** | **October 23, 2024** |
| **TO:** | **PUBLIC UTILITIES BOARD** |
| **FROM:** | **PUBLIC UTILITIES GENERAL MANAGER** |
| **SUBJECT:** | **ANAHEIM PUBLIC UTILITIES 2024 STATE LEGISLATIVE UPDATE** |

This item is for information only.

**DISCUSSION:**

Anaheim Public Utilities (APU) monitored approximately 309 bills in the 2024 legislative year covering electric, water, and other relevant issues having potential impact on utility operations and customer costs. Of these bills, 121 were two-year bills carried over from the first year of the session. This legislative year began with budget negotiations as the state faced a significant and immediate budget shortfall, creating more emphasis on the fiscal impact of proposed bills. Affordability for electric customers was also a key emphasis, as discussions about investor-owned utility rates, net metering rates for solar customers, and rising costs for disadvantaged water and electric customers were front and center. Throughout the legislative session, APU continued to advocate on behalf of its customers, including collaborating with similarly situated utilities through the California Municipal Utilities Association (CMUA) and the Southern California Public Power Authority (SCPPA), to ensure legislation addressed local concerns and mitigated impacts to the extent possible.

The legislative year was very active, with over 2,500 pieces of legislation introduced, for a total of over 5,500 for the two year session. Through successful APU and industry efforts, several critical bills failed legislative deadlines prior to getting to the Governor’s desk, while others were amended to dramatically reduce or remove impacts to APU’s customers. In the last weeks of the regular session, which ended at midnight on August 31, several leaders discussed potential last-minute energy bill packages. Ultimately the Governor’s office packaged a group of bills which addressed varied aspects of energy sustainability and affordability. This final package focused mainly on large-scale energy projects and policies related to customer affordability impacting only investor-owned utilities.

During this second year of the 2023-24 Legislative Session, 44 of the bills tracked by APU were chaptered into law (Attachment 1), and 10 were vetoed (Attachment 2). Through successful industry-wide advocacy efforts, many problematic bills were either not enacted or were amended to minimize negative impacts. Further, critical legislation to benefit public utilities was introduced and, even when not successful, gained support for future policy making. Most of the 2024 newly enacted bills will have no significant impact on utility operations, with the most impactful outlined below.

Utility-Wide Legislation

Of the other 64 utility-related bills monitored, 15 were chaptered and none were vetoed.

The utility-related tracked bills reflect a continued focus on workforce, as well as a new interest in artificial intelligence (AI) and its potential impacts.

In addition, several bills were introduced in 2024 aimed at reducing barriers for housing development by addressing development fees, which in some cases include utility connection fees and recovery of costs. APU worked closely with CMUA and other partners to include amendments to reduce the potential unintended impacts to utilities like APU. While these efforts were successful in addressing the more significant concerns, some bills that were chaptered will still impact APU:

* **AB 1820** (Schiavo) would require APU, with the City of Anaheim (City), to provide a current schedule of fees, exactions, and affordability requirements for housing construction, as well as previous fee reports, fee studies, and annual financial reports on the City’s website;
* **AB 3012** (Grayson) would require APU, with the City, to create a fee estimate tool for housing construction on their website related to proposed housing developments by July 1, 2032; and,
* **SB 1210** (Skinner) would, for new housing construction, require utilities on or before January 1, 2026 to publicly post on their website the schedule of estimated fees and timeframes for typical service connection, for each housing development type (accessory dwelling unit, mixed-use, multi-family, single-family etc.).

Energy-Related Legislation

Of the 172 energy-related bills monitored this year, 20 were chaptered and 8 were vetoed. The following energy bill had significant interest to APU as was closely monitored as it moved through the legislative process and was ultimately chaptered.

**AB 3264** (Petrie-Norris) – **Chaptered.** This bill was introduced to address affordability in investor-owned utility rate setting, which the author set as a priority as chair of the Assembly Utilities and Energy Committee. Originally the bill failed to meet legislative deadlines but was revived and amended as part of the year-end strategic energy package. The final bill requires the California Public Utilities Commission (CPUC), in consultation with the California Energy Commission (CEC), to complete three studies for reducing energy costs:

* A study to review public-purpose programs included in ratepayer bills
* A study to consider alternative financing to pay for IOU capital spending
* A study to develop scenarios for 5%, 10% and 15% bill savings over 10 years

While these studies will be aimed at investor-owned utilities, they all have potential to impact the industry overall and to set new industry standards.

Several other bills had significant interest to APU throughout the session but ultimately were not successful. One of these bills, AB 1834 (Garcia), was sponsored by SCPPA and CMUA as clean-up language to address some of the concerns shared by publicly-owned utilities. Despite collective efforts, the bill was vetoed by the Governor who cited a desire to let the regulatory process take place first.

Additional critical bills were closely monitored but failed during the legislative process, including AB 2221 (Carillo) related to broadband pole attachments and SB 308 (Becker) related to carbon dioxide removal targets. While neither bill was successful, they were of critical concern to APU and both topics have the likely potential to return as new legislation next year.

Water-Related Legislation

Of the 73 water-related bills monitored, nine (9) were chaptered and two (2) were vetoed. There were many critical water bills which were closely monitored over the legislative year; however, many of those which had the most significant interest to APU were amended through efforts with industry partners, to have reduced or minimal impact. For instance, several two-year bills had the potential to significantly increase the state water board’s authority, and to change water rights in California. However, through efforts with CMUA and Metropolitan Water District (MWD) they were amended to have administrative impacts, or deal with other topics entirely.

Additional critical water-related bills, such as SB 1255 (Durazo) which would have set stringent and inefficient requirements for administering low income water rate assistance programs, failed to survive the legislative process, but are likely to return next session as new legislation.

**Potential and/or Upcoming Legislative Issues**

There were several bills introduced this year with potentially substantial impacts to APU that were not successful; however, their sponsors or advocates are already expressing interest in bringing similar legislation to the next 2025-26 session. APU anticipates that legislative bills in 2025 may address the following issues:

Utility-Wide

* Affordability, including policies impacting customers’ electricity rates, as well as programming related to low income water rate assistance; and,
* Continued focus on removing barriers to housing development, resulting in legislation related to fees, permits, utility-connect, and related processes.

Energy-Related

* Electric infrastructure, including investment in energy projects along with streamlining efforts, with a particular focus on hydrogen, offshore wind, and long-duration storage;
* Reoccurring legislation related to broadband access, and impacts to utility infrastructure;
* Potential legislation reinstating the Cap-and-Trade program post 2030;
* Additional clean air targets related to emerging technology, such as carbon dioxide removal; and,
* Legislation to develop the West-Wide Governance Pathways Initiative, an effort to initiate the creation of an energy market that includes the 5 western states, including California.

Water-Related

* Ongoing focus on water project development, as well as limiting water rights, in particular discussion around groundwater management and rights.

**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 anaheim.net/Legislative\_Impacts, which includes estimated annual cost impacts.

**Attachments:**

1. APU 2024 Chaptered Bills Report
2. APU 2024 Vetoed Bills Report
3. Estimated Cost Impacts of Legislation Impacting Electric Operations
4. Estimated Cost Impacts of Legislation Impacting Water Operations