April 16, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President Pro Tempore
State Capitol, Room 204
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
State Capitol, Room 219
Sacramento, CA 95814

Subject: Energy Resilience Recommendations for the FY 21-22 Budget

Dear Governor Newsom, Pro Tem Atkins, and Speaker Rendon:

We are writing to provide energy resilience recommendations for the FY 21-22 budget and urge you to prioritize investing in enhancing energy resilience within California's most vulnerable communities.

Climate-related power outages during 2020 and 2019 cost the California economy billions and are expected to continue. In response, homeowners, businesses, and utilities are investing in inefficient, high-emissions mobile fossil fuel generators – expenditures which run counter to California's environmental goals.

With the state facing more frequent and extreme climate-driven grid disruptions, it is more critical than ever that California invest in the development of locally-planned community energy resilience solutions powered by clean energy technologies.

In the past two budget years, the Legislature has authorized a total of $125 million from the General Fund to support preparedness measures that bolster community energy resilience. The funds were disbursed via a Cal OES grant program meant to help local governments prepare for, respond to, and mitigate the impacts of power outages. Unfortunately, much of this funding has been used to procure diesel back-up generators. While this is understandable in light of the immediate need to address imminent PSPS events, further dependence on California's already massive fleet of dirty diesel generators runs counter to California's air quality and environmental goals and should not be part of the state's longer term plans for dealing with PSPS events.

We propose that going forward, state investments in energy resilience should focus on clean energy resilience infrastructure which can provide daily reliability benefits (e.g. storage of excess midday solar generation for evening discharge to reduce the peak demand), rather than unabated investment in fossil infrastructure which might only be used a few days each year.

With this framework in mind, we respectfully suggest the following actions relevant to the FY 21-22 budget:

1) **Direct state agencies to inventory and report on *existing* agency technical and financial resources that could help local governments start community energy resilience planning and implementation.**

State agencies – including the Office of Emergency Services (CalOES), the Strategic Growth Council and the California Energy Commission (CEC) – have related technical and program resources which could help local governments implement community energy resilience planning. For example, the CEC has supported development of microgrids via its EPIC program for a decade. The CEC has invested millions in 58 microgrid projects to enhance resilience, including through the CEC Advanced Energy Communities program, supporting critical facilities including medical centers, fire stations and community centers. The wealth of lessons learned and technical information gathered by the CEC and its project partners in community clean energy project implementation should be consolidated and integrated to educate local governments statewide regarding how to develop local clean energy resilience plans.

We recommend that the Governor's Office issue a directive to related state agencies asking them to provide information to the CEC regarding existing agency data and technical resources that can be used by local governments to help develop their own community energy resilience plans. Such a directive would complement the June 2020 Decision issued by the California Public Utilities Commission (CPUC) in the microgrid

proceeding, which required investor-owned utilities to share information with and engage local governments in energy resilience planning.

2) **Refocus state investments in a clean community energy resilience with a $200M General Fund allocation to the CEC, spread over two years, to create new technical assistance resources as noted above and expand the existing Advanced Energy Communities program for local planning and deployment of *clean* energy technologies.**

As noted above, local governments have been allocated $125M in state resilience funds primarily spent on diesel generators because they have not had the time or resources to proactively plan for such expenditures. Enhancing energy resilience through developing clean distributed resources requires significant and detailed planning: thinking from a community-wide perspective rather than just a facility-specific basis; thinking about life-cycle cost rather than upfront first cost; and consulting with local utilities regarding existing distribution circuit infrastructure. A unifying state policy framework for community energy resilience planning is available through enactment of legislation introduced this session by Senator Bill Dodd: SB 99, the Community Energy Resilience Act. The policy framework detailed in SB 99 could efficiently guide new state investments in community energy resilience planning and deployments that local governments need to insulate critical facilities, residents and businesses from costly grid disruptions.

To turn this framework into a reality, we recommend that the state make a General Fund allocation of $200M for community energy resilience planning. The allocation should be spread over two years, with the program administered by the CEC. These grants will provide local jurisdictions the resources needed to develop state certified community energy resiliency plans, including hiring staff and obtaining technical assistance. The grant amounts will be sized according to the relative population of the local jurisdictions.

Prioritize allocation of new community energy resilience planning funds to vulnerable communities.

Low-income and disadvantaged communities suffer disproportionately from air pollution and high rates of respiratory disease, problems exacerbated by the ongoing installation of new diesel generation. While all communities that suffer from power outages experience disruptions, the economic consequences of losing power, such as the spoilage of a refrigerator full of food, are seriously magnified in lower income households. California should prioritize providing community energy resilience support –

including minimizing local government matching fund requirements – for critical facilities serving vulnerable communities.

In January 2021, the CPUC created a new $200M Microgrid Incentive Program, focused on supporting development of microgrids in vulnerable communities, with an expectation that funds could become available by the Fall of 2021. Unfortunately, local governments, particularly in vulnerable communities, are under-resourced to prepare applications for specific proposed projects. Quite often, they have not undertaken a process to identify and prioritize critical facilities and develop preliminary technical proposals for projects which could be funded by either the new $200M CPUC program or potentially through related new federal infrastructure funding which may be made available.

Absent state support for clean energy resilience, local governments will likely continue to use polluting and outdated fossil fuel generation – an outcome which endangers public health and safety and is contrary to California's environmental goals.

Thank you in advance for your attention to this issue. Please contact Kurt Johnson at The Climate Center (kurt@theclimatecenter.org) with any technical questions and Lea-Ann Tratten (LTratten@TrattenPrice.com) or Jena Price (JPrice@TrattenPrice.com) of TrattenPrice Consulting with any policy questions related to this recommendation.

Sincerely,

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