

With climate change on the California Legislature's agenda, utilities 'making the rounds'

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Soon after Gov. Jerry Brown proposed expanding greenhouse gas reduction policies in his State of the State address California's influential utilities praised Brown's agenda but moved quietly to craft a version that could be easier for them to meet.

The effort, outlined by the utilities in talks with lawmakers, state regulators and interest groups – including at a private gathering in Napa last week – focuses on a proposal by Brown to increase to 50 percent from one-third the proportion of electricity California derives from such renewable sources as wind and solar.

Instead of including the 50 percent target in the state's existing regulatory framework, the utilities argue, California should require increased carbon reduction through other, more flexible means. They say other approaches could cost less while still achieving environmental goals.

The issue is emerging as a significant point of conflict as the Legislature prepares to take up Brown's environmental program. Senate Democrats are expected to announce legislation next week that includes a mandate on renewable energy, while the utilities have gained support from some moderate Democrats in the Assembly.

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"They've been making the rounds," said Matt Freedman, staff attorney for The Utility Reform Network, or TURN. "This is not a secret. But it is something of a stealth campaign, in that the utilities ... they are trying to get ahead of the Legislature."

Brown, a longtime champion of environmental causes, proposed last month that the state reduce petroleum use in cars by as much as 50 percent within 15 years, make heating fuels cleaner and dramatically increase the proportion of electricity derived from renewable sources.

Senate President Pro Tem Kevin de León, D-Los Angeles, plans to announce legislation next week to enact Brown's proposals. The Senate's legislative package will likely include a bill requiring California's pension funds to divest their holdings in coal.

Sen. Lois Wolk, D-Davis, said the bill package represents "the direction in which our state is moving, and it's a good direction."

Oil interests already are pushing back. In a prepared statement Wednesday, Catherine Reheis-Boyd, president of the Western States Petroleum Association, said the petroleum reduction mandate is "unrealistic and would be incredibly expensive."

Brown hopes climate policy advances in California and other states can be used to pressure heads of state during international climate talks in Paris in December.

The utilities know of his ambition.

“We call this policy the road to Paris, because the governor wants a seat at the table in Paris,” said Rob Lapsley, president of the California Business Roundtable. “We want to be supportive – we told them that – but we’ve got to have a policy that provides balance.”

De León’s office declined to comment on his legislative proposal. Stanley Young, a spokesman for the California Air Resources Board, said in an email that “there is an ongoing discussion about how to parse out the 50 percent renewables goal.”

At a hotel in Napa last week, the utilities pressed their case at an invitation-only gathering of government officials and representatives of California’s labor, business and environmental interests. During a panel conversation at the event, hosted by the California Foundation on the Environment and the Economy, Ron Nichols, a Southern California Edison executive, offered a message of “flexibility,” said Lapsley, who attended the conference.

Lapsley, who is working with Edison, Pacific Gas and Electric Co. and Sempra Energy, the parent of San Diego Gas & Electric Co. and Southern California Gas Co., said the utilities have no “firm” counterproposal yet to a more stringent renewable portfolio standard.

But they are considering a range of alternatives, most of which involve accepting an overall carbon reduction goal but with broad latitude on implementation. Possible measures include allowing utilities to claim credit for carbon reduction measures in other states or for existing hydroelectric and nuclear power sources that do not currently count toward the utilities’ renewable energy goals.

The utilities also worry about increased demand for electricity generated by a growing number of electric vehicles of California roads.

“With increased electric transportation, that places a bigger burden, bigger carbon burden on the utility,” said Arlen Orchard, general manager and CEO of the Sacramento Municipal Utility District. “What we want to make sure is that we’re getting credited for that, essentially reducing carbon and cleaning up the air by providing the fuel stock.”

Orchard said that in California, unlike in some other states, “the utilities and the state are in unanimous agreement that we need to further reduce carbon emissions in California.”

However, he said, “We don’t believe one size fits all is the best approach for the utilities. ... Give us the goal, and then let us figure out the optimal mix for our customers in order to meet that goal.”

Passage of Brown’s agenda is likely to be easier in the Senate than the Assembly, where moderate Democrats are an influential force.

Assemblyman Henry Perea, a Fresno Democrat who is among the leaders of the moderate Democrats, said “there are a number of moderate Democrats who want to help the governor meet his climate-change objectives.”

However, he said he is concerned about the affordability of Brown’s proposals – and also sympathetic to some of the utilities’ concerns.

“I think flexibility is the key in moving forward,” he said, “in any debate on what ... the future looks like in terms of moving toward a clean economy.”

The utility industry’s critics fear that without a strict renewable energy standard, utilities could claim credit for initiatives that have no measurable impact on California’s environment – such as the purchase of a carbon credit in

another state – and could hurt efforts to encourage the development of new clean energy sources.

Cordel Stillman, deputy chief engineer at Sonoma County Water Agency, said of the utilities' interest in flexibility, "I do know that they're a very clever bunch, and they like to work around the rules a bit."

He said, "Manipulate is the wrong word. But there are ways that you can manipulate the system."

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