



Transforming Policy. Expanding Markets.

June 15, 2022

The Honorable Anthony Rendon  
State Capitol Building  
Room 219  
Sacramento, CA 95814

The Honorable Toni Atkins  
1020 O Street  
Suite 8518  
Sacramento, CA 95814

**RE: Advanced Energy Economy Recommendations for Impactful Clean Energy and Transportation Investments in the State Budget (FY 2022-23)**

Speaker Rendon and Senate President Pro Tem Atkins:

Advanced Energy Economy (AEE) thanks you for your continued leadership in working to transition the state to a 100% clean energy and transportation system. On behalf of our business membership representing the spectrum of advanced energy and transportation technologies, products, and services, we are writing to offer our insights on how to best invest budget surplus dollars to accelerate GHG reductions, spur economic development, and sustainably address grid reliability gaps and power outages impacting the state as a whole.

AEE is encouraged to see a shared interest by the Legislature and the Administration in dedicating substantial new state investment towards clean energy over the next few years. Given the size of the budget surplus and the scope of present and anticipated reliability challenges<sup>1</sup>, this state budget cycle affords an unprecedented opportunity to go big on clean energy and transportation strategies that can help improve the quality of life for all Californians and minimize risk to the state's energy system simultaneously. These dollars, paired with forthcoming federal infrastructure funds, will have a lasting impact on the state's economy, energy infrastructure, and ratepayers for years to come.

Recognizing the significance of stewarding these historic surplus dollars wisely through sound investments attuned to both urgent needs and forward-looking goals, AEE offers the following input for your consideration as the Legislature and the Administration work together to finalize the details of the state budget over the coming weeks.

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<sup>1</sup> This Summer alone, it is estimated that California's energy supply may fall short of what it takes to power approximately 1.3 million homes during peak periods.

## Energy Reliability and Affordability

Although we support the timely focus on energy reliability and affordability in the various budget proposals that have been floated to date, we implore decisionmakers to ensure that forthcoming budget trailer bill language prioritizes the best available clean energy solutions when designating new funding streams and/or programs. We urge policymakers to reserve budget surplus dollars for proven zero-emission strategies that can most cost-effectively address near- and long-term reliability needs without overly relying on polluting, uneconomic assets. In order to leverage the state budget to effectively harness the collective value of distributed energy resources (DERs) and necessary energy infrastructure improvements for grid resilience, we call on the Legislature and Administration to:

- ***Streamline regulatory processes and rapidly infuse new capital into DERs to harden homes and critical facilities with clean back up power.*** As California continues to grapple with wildfires, heat waves, projected supply shortfalls, and high energy costs year after year, distributed energy resources (DERs) remain vital to keeping the lights on for communities and essential services during extreme weather conditions and other sources of stress to the electricity grid. Targeted incentives and direction from the CPUC can hasten the strategic deployment of microgrids, customer-sited solar plus battery energy storage installations, solar-chargeable portable power stations, and other clean power devices at critical facilities (e.g., schools, grocery stores, healthcare facilities, police & fire stations, government buildings, and water/wastewater facilities) throughout California, especially in locations impacted by Public Safety Power Shutoff (PSPS) events and wildfires.
- ***Ensure streamlined enrollment and new or enhanced demand-side management incentives that are inclusive of third party solutions that can have the greatest immediate impact.*** We encourage decisionmakers to support streamlined enrollment and new or enhanced incentives for demand-side management solutions, and to ensure these incentives are available to non-utility, third party resources. In addition to demand response, we encourage the Legislature to recognize that load flexibility is part of the solution to managing demand during peak hours. We support including time and location-based enhanced incentives for energy efficiency as a cost-effective component of demand-side management strategies.
- ***Support sustained investment certainty for local solar and solar plus storage to make these projects' benefits broadly available into the future.*** AEE appreciates the May Revision's proposed allocation of nearly \$1 billion to SGIP for local solar and solar plus storage projects (predominantly in low-income communities). However, we emphasize that additional investment will be needed over the coming years to drive mass adoption of these technologies by middle-income and lower-income communities, as well as schools, farms, local governments, and small businesses that especially depend on consistent bill savings and stable, affordable energy to manage their budgets. Dependable access to affordable, reliable energy is a day-to-day concern for large energy users that provide essential services to local jurisdictions. Public schools, tribal governments, and municipalities in particular stand to gain from stable access to low-cost, clean power generated and stored on-site by reducing operational costs and providing the communities they serve with uninterrupted electricity around the clock and during emergency situations. When resourced effectively, schools and other public facilities can double as emergency shelters and resiliency hubs for their communities during power outages or other catastrophic events. Unfortunately, resources to facilitate access for more local jurisdictions to on-site clean energy generation and back up power are stretched thin, as funding within historically



successful programs such as the Local Government Renewable Energy Self-Generation Program (RES-BCT) is nearly exhausted. There is both an immediate moral imperative and unique opening with the budget surplus to provide local infrastructure with cost-effective tools now that can act as a buffer against ongoing PSPS events and climate impacts.<sup>2</sup> Without a plan in place to rapidly bridge access to clean energy generation and back-up power by more schools, tribal governments, and municipalities, critical community facilities will continue to rely heavily on diesel generators during disasters, which will ultimately worsen public health and environmental conditions in local communities.

- **Boost direct investment in community solar plus storage projects to support an equitable transition to clean energy.** AEE supports new investment commitments to the growth of community solar plus storage projects to enable equitable access to clean energy for lower-income residents and disproportionately impacted communities that do not own their own home. For the majority of Californians that are renters, increased access to community solar would practically extend energy security from clean energy resources to more families and individuals across various income brackets.
- **Provide emergency debt relief for utility bill non-payment.** AEE supports earmarking state funds for debt forgiveness of missed utility bill payments due to the lingering economic impacts of the COVID-19 pandemic. Paying down past-due utility bills to provide emergency relief, especially for disproportionately impacted households, is especially timely as rising costs from inflation and supply chain shortages continue to hit Californians hard.
- **Invest in long-term reliability by streamlining and accelerating approvals for transmission siting and upgrades, and considering strengthened coordination with neighboring states.** To ensure our energy infrastructure is well equipped to keep reliable, affordable clean power flowing within and across state lines, we encourage the Legislature to consider any unmet needs of the electricity transmission system and act promptly to address gaps by streamlining the evaluation of electricity transmission upgrades and expansion in prioritized locations along with examining interconnection logjams. State decisionmakers should also be looking at big picture reliability needs and the evolving grid landscape across the West. To stem rising energy costs and get out ahead of anticipated grid strain from changing conditions in the future, California should also continue to explore the benefits of strengthened coordination with neighboring states in tandem with doubling down on local grid hardening initiatives.

### Zero-emission Transportation

AEE encourages decisionmakers to maintain a strong multi-billion dollar investment package for accelerating zero-emission transportation. In addition to the multi-year funding priorities we outlined in our January budget letter, we request the Legislature take near-term action to speed access to ZEVs and reliable ZEV charging that would especially improve air quality and access to ZEV ownership in disadvantaged communities.

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<sup>2</sup> For example, pairing on-site renewable energy generation with electric school buses that can provide flexible and sustained backup power as “batteries on wheels.”



- **Maximize impact and equitable outcomes from the proposed electric school bus program by providing technical assistance to schools with the greatest need, giving schools more flexibility over grant proposals, and maintaining an exclusive focus on zero-emission school buses.** While AEE supports the Governor’s proposed \$1.5 billion school bus electrification program, we remain concerned that the current structure of the program would limit the number of school buses California could electrify. Correspondingly, AEE proposes allocating a modest \$10 million of the \$1.5 billion to create a dedicated technical assistance resource for school districts to help them navigate complex grant application processes, financing, and infrastructure needs for zero-emission school buses. Technical assistance should prioritize school districts that are chronically underresourced and most impacted by heavy pollution. AEE also proposes eliminating the minimum grant requirement for competitive grants to give schools more flexibility to stretch grant dollars across a wider array of school bus-related expenses. In our experience, prescribing a minimum grant threshold could lead dealers to inflate their prices and could lead to districts spending too much on a single bus. We are also concerned by the Legislature’s proposal to expand eligibility to “low-emission school buses” to receive grant funding from the proposed green school bus program. To achieve the greatest air quality and economic benefits for school districts and local communities, new funding for school bus electrification should focus solely on the transition to zero-emission school buses.
- **Continue Hybrid and Zero Emission Truck and Bus Voucher Incentive Program (HVIP) incentives for large fleets beyond 2023.** We respectfully request that the Legislature adopt budget language to restore eligibility for large fleets to access HVIP vouchers to purchase ZEVs beyond January 1, 2023. A decision by the California Air Resources Board last year to immediately shut out medium and large fleets from HVIP incentives threatens to impede the state’s ability to realize its ambitious ZEV and climate goals for the MDHD sector. Prematurely restricting participation in HVIP is antithetical to the state’s assertive timeline for accelerated fleet electrification and disregards larger fleets’ contributions to market transformation and catalyze even greater GHG emissions reductions, as well as broader cost reductions, faster through economies of scale. We encourage the Legislature to take swift and simple action to reverse course before the effects of this exclusion are felt by reinstating medium and large fleets’ access to HVIP incentives now while considering potential future refinements to the program to ensure small fleets maintain reasonable, proportionate access to incentive funds.
- **Accelerate \$1.75 million for certain equity-focused ZEV programs and residential charging initiatives.** We respectfully request the Legislature bring forward multi-year funding sooner for various equity-focused programs and initiatives to eliminate barriers to ZEV ownership or leasing options, and facilitate convenient, affordable home charging and charging station access, in low-income and historically underserved communities where demand for ZEVs is growing.

AEE stands ready to work with the Legislature, the Administration, and other stakeholders to finalize a robust clean energy and transportation budget plan that will reap the greatest benefit for Californians across the state while building a resilient grid. Thank you for your continued leadership and please feel free to reach out with any questions.

Sincerely,

Amisha Rai



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Cc: The Honorable Nancy Skinner, Chair, Senate Budget Committee  
The Honorable Phil Ting, Chair, Assembly Budget Committee  
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