LA100 Equity Strategies
Steering Committee Meeting #13
November 16, 2022

LA DWP

NREL
Transforming ENERGY

UCLA

Los Angeles Department of Water & Power (LADWP)
Project Leads

Simon Zewdu
Director
Transmission Planning,
Regulatory, and Innovation Division

Pjoy T. Chua, P.E.
Assistant Director
Transmission Planning, Regulatory,
and Innovation Division

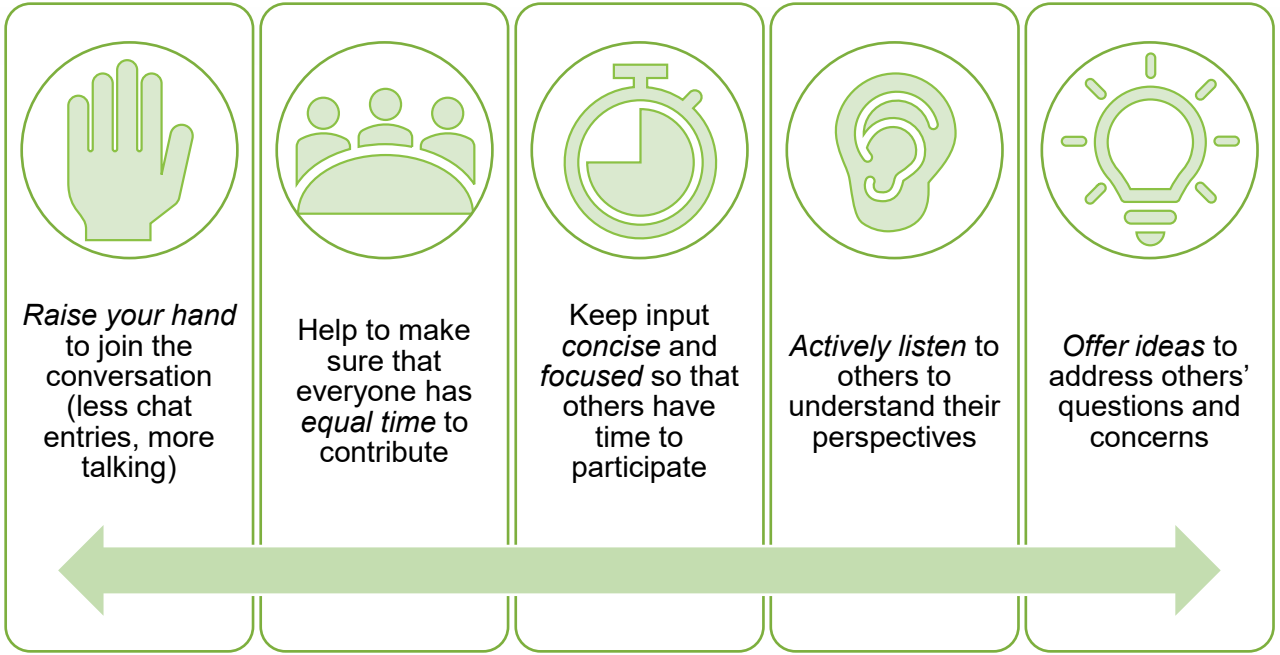
Steve Baule
Utility Administrator
LA100 Equity Strategies Oversight
& UCLA Contract Administrator

Stephanie Spicer
Community Affairs Manager

Agenda

Start Time	Item
10:00 a.m.	Welcome
10:05 a.m.	Meeting Purpose and Agenda Overview
10:10 a.m.	Steering Committee Check In
10:20 a.m.	Steering Committee Spotlight: City of LA Climate Emergency Mobilization Office (CEMO)
10:30 a.m.	Polling Questions: Buildings & Transportation
10:35 a.m.	Rates and Affordability Modeling, Analysis, & Metrics
11:15 a.m.	Legal and Regulatory Constraints on Ratemaking
11:55 a.m.	Wrap Up and Next Steps

Our Guide for Productive Meetings



Steering Committee Roster

Organization	Representative
Alliance of River Communities (ARC)	Vincent Montalvo
City of LA Climate Emergency Mobilization Office (CEMO)	Marta Segura, Rebecca Guerra
Climate Resolve	Jonathan Parfrey, Bryn Lindblad
Community Build, Inc.	Robert Sausedo
DWP-NC MOU Oversight Committee	Tony Wilkinson, Jack Humphreville
Enterprise Community Partners	Jimar Wilson, Michael Claproth
Esperanza Community Housing Corporation	Nancy Halpern Ibrahim
Los Angeles Alliance for a New Economy (LAANE)	Kameron Hurt, Estuardo Mazariegos
Move LA	Denny Zane, Eli Lipmen
Pacific Asian Consortium in Employment (PACE)	Celia Andrade, Susan Apeles
Pacoima Beautiful	Veronica Padilla Campos, Melisa Walk
RePower LA	Michele Hasson, Roselyn Tovar
The South Los Angeles Transit Empowerment Zone (SLATE-Z)	Zahirah Mann, April Sandifer
South LA Alliance of Neighborhood Councils	Thryeris Mason
Strategic Concepts in Organizing and Policy Education (SCOPE)	Agustín Cabrera, Tiffany Wong

Including Future Agenda Items

Tentative Schedule

This Meeting

- CEMO – LA Equity Index
- Rates and affordability modeling
- Legal and regulatory constraints around rates and affordability

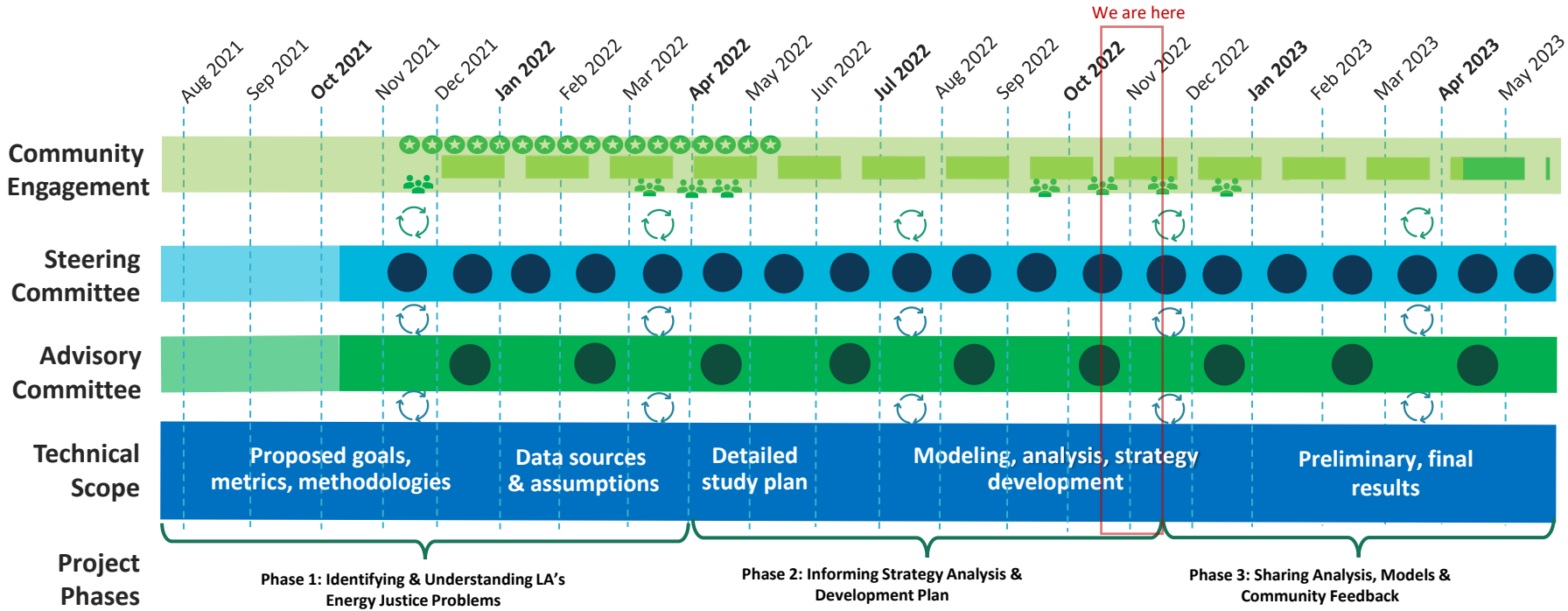
January 18, 2022

- Reliability and resilience modeling
- Vehicle electrification and charging, multimodal transportation electrification modeling
- Household energy modeling

Future Meetings

- Grid reliability and resilience
- Listening sessions
- UCLA Energy Atlas and buildings

LA100 EQUITY STRATEGIES: TIMELINE & FRAMEWORK



Legend

Key connections
- Feedback loops

Engagement
- Community Engagement
- Steering Committee
- Advisory Committee

Digital Engagement Phases
- LA100 ES Digital Engagement
- Post-LA100 ES Engagement

Meetings
- Steering Committee
- Advisory Committee

Interviews
- One on One
- Listening Sessions

Steering Committee Check In

What are you grateful for in your community?

Steering Committee Spotlight

City of LA Climate Emergency Mobilization Office (CEMO)

CLIMATE EMERGENCY MOBILIZATION OFFICE

CLIMATE EMERGENCY MOBILIZATION OFFICE

CLIMATE EMERGENCY MOBILIZATION OFFICE -CEMO- & Chief Heat Officer

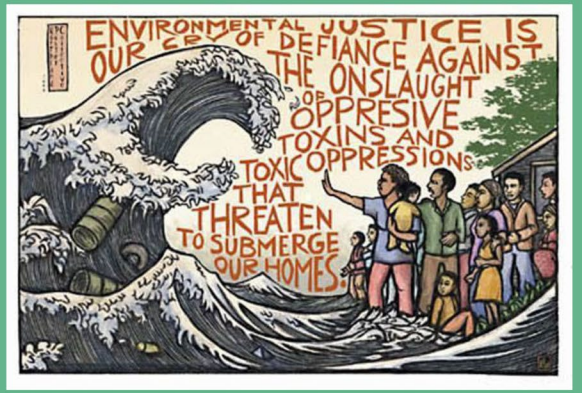
Director, Marta A. Segura, M.P.H.
Executive Director, Climate Emergency Mobilization Commission
CHIEF HEAT OFFICER
www.climate4LA.org

CEMO Overarching Goal

Catalyze collaborative, equitable extreme heat & climate policies to co-create community climate resilience & thriving, healthy communities for all of Los Angeles.

CEMO Core Functions

- **Create programs for meaningful engagement and civic-led** governance strategies for equitable climate policies & investments.
- **Coordinate/Collaborate** with City leaders to bring an equity lens to LA's Green New Deal, engage and mobilize community to innovate governance and infrastructure investments. Aligning network of plans with community engagement and wisdom.
- CEMO Director is also the designated Chief Heat Officer for the City of LA and ED for CEMC.
- **Advocate for and Deliver** an Equitable Climate Policies and data driven solutions that can be shared transparently, with the public and communities most affected as well as decision makers.



CLIMATE EMERGENCY MOBILIZATION OFFICE

What we do:

Climate Equity LA Series Year 2: Community Engagement and Events
Facilitate the voices of the broader LA community and its frontline voices through Community Assemblies and the Climate Emergency Mobilization Commission. Innovate governance strategies to lift the voices of communities to shape equitable solutions.

Driving Equitable Climate Policy & Funding
Coordinate and collaborate with City, County, and State leaders across various departments to achieve equitable climate goals and policies that will address our climate crisis, Health Crisis and habitability of homes, and work for everyone in alignment with LA's Green New Deal in alignment with Justice 40 to invest no less than 40% of Infrastructure funds in our historically disinvested areas. Example: ***CVA/Accurate Climate Hazard Mapping to draw down climate funds from State and the Federal Government, this will help the entire city and every department working on climate adaptation and mitigation.***

Assumptions for Equitable Climate & Clean Energy Solutions:

- **Justice 40 can Accelerate Climate Solutions for All “ratepayers” and all people if applied with consistent metrics.**

- **Prioritizing Investing infrastructure in the historically disinvested communities will create the tipping point we need to reach our climate solutions for all if we make it truly affordable and create no additional negative impacts or economic hardships for our communities.**

- **The big picture of a public utility, and our City Charter, compels us to invest in and create healthy thriving communities for all, not for a financial bottom line.**

CLIMATE EMERGENCY MOBILIZATION OFFICE

Picture by Martin Adams

Equitable Building Decarbonization Report

Communities in the Top 10% Overall CalEnviroScreen Score within the City of Los Angeles

Climate Emergency Mobilization Office
Board of Public Works, City of Los Angeles

CLIMATE EMERGENCY MOBILIZATION OFFICE

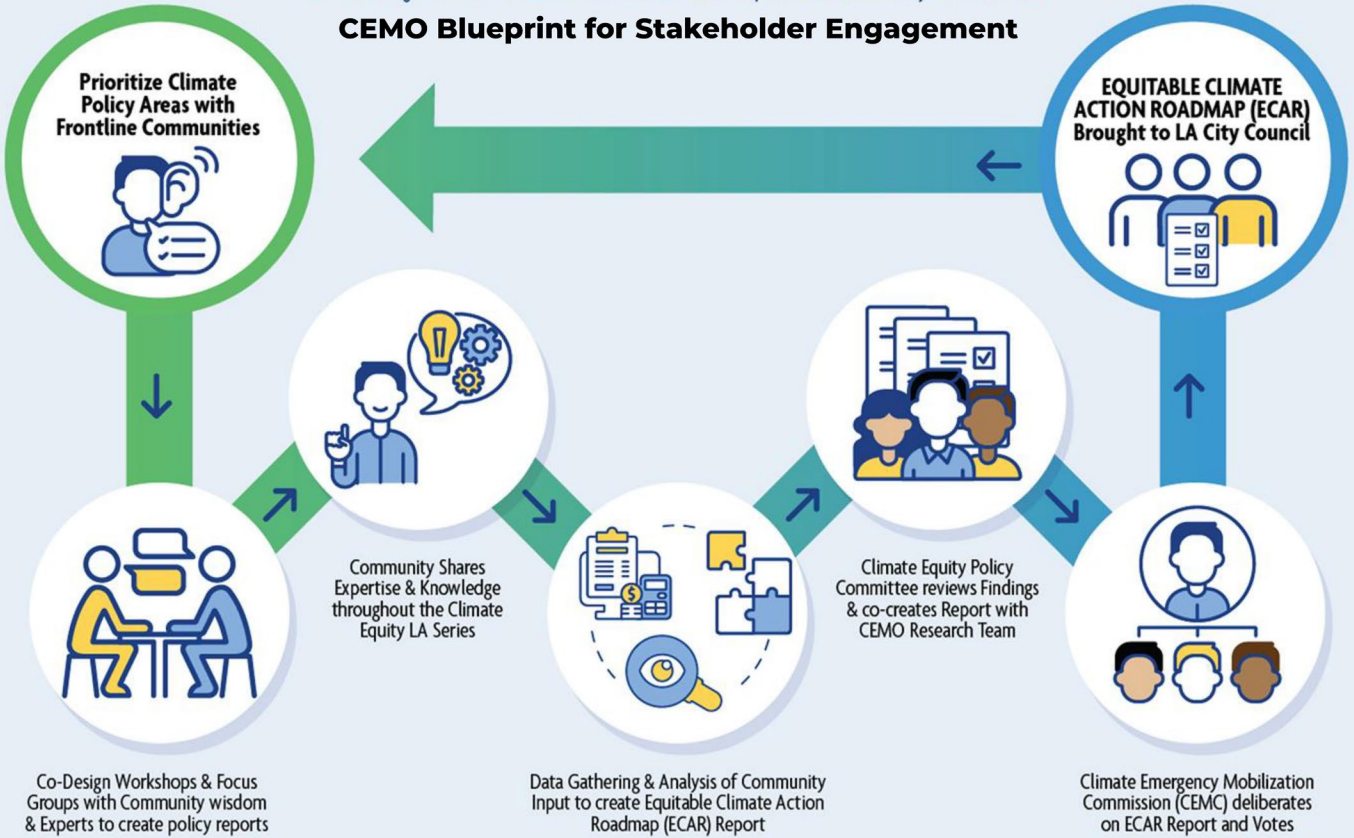
Aligning a Network of Plans

- LA's Green New Deal
- Heat Action Plan
- Climate Action Plan/CVA
- Equitable Building Decarbonization Report
- Community/Climate Resilience (Extreme Heat, Wildfires, Blackouts, Earthquakes, Cyber threats)
- Extreme Heat& Pollution Hazard Map
- Strategic Long Term Resource Plans

CLIMATE EQUITY INNOVATIVE GOVERNANCE MODEL

Collaborating with Frontline Communities to Co-create equitable Climate Policy & Investments

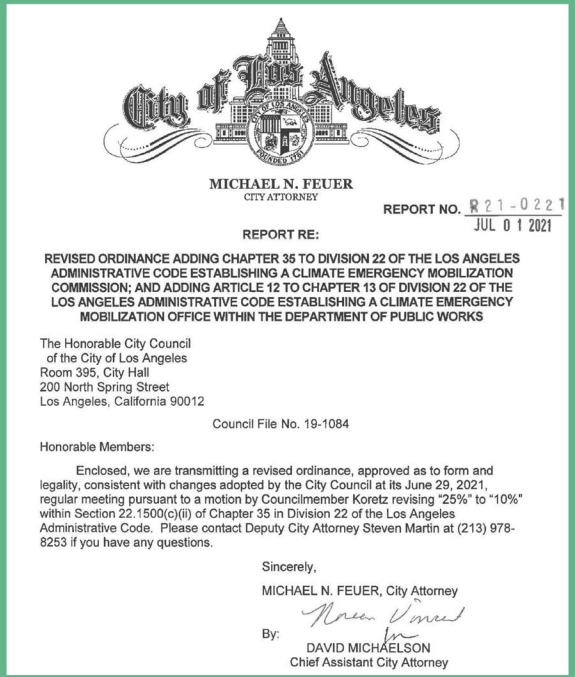
CEMO Blueprint for Stakeholder Engagement



CLIMATE EMERGENCY MOBILIZATION OFFICE

Climate Emergency Mobilization Commission (CEMC)

- **The Commission** will consist of 19 voting members, **seven must represent the top 10% pollution-burdened segment noted in CalEnviroScreen.**
- Represents appointments from **Frontline communities, Labor, Climate, & Health Experts.**
- This Commission is programmatic/advisory to Mayor and City Council via its facilitator, Marta Segura, the ED of the Commission.
- **Ordinance no. 187126 dated July 1, 2021** from the LA City Council, Chapter 35, Division 22 of the Los Angeles Admin Code.



City of Los Angeles

MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R21-0221
JUL 01 2021

REPORT RE:

REVISED ORDINANCE ADDING CHAPTER 35 TO DIVISION 22 OF THE LOS ANGELES ADMINISTRATIVE CODE ESTABLISHING A CLIMATE EMERGENCY MOBILIZATION COMMISSION; AND ADDING ARTICLE 12 TO CHAPTER 13 OF DIVISION 22 OF THE LOS ANGELES ADMINISTRATIVE CODE ESTABLISHING A CLIMATE EMERGENCY MOBILIZATION OFFICE WITHIN THE DEPARTMENT OF PUBLIC WORKS

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 19-1084

Honorable Members:

Enclosed, we are transmitting a revised ordinance, approved as to form and legality, consistent with changes adopted by the City Council at its June 29, 2021, regular meeting pursuant to a motion by Councilmember Koretz revising "25%" to "10%" within Section 22.1500(c)(ii) of Chapter 35 in Division 22 of the Los Angeles Administrative Code. Please contact Deputy City Attorney Steven Martin at (213) 978-8253 if you have any questions.

Sincerely,

MICHAEL N. FEUER, City Attorney

By:
DAVID MICHAELSON
Chief Assistant City Attorney

Resources

- CEMO's Blueprint for Innovative Governance
- Equitable Building Decarbonization Report
- Climate Equity LA Series 2022
  - Announcements & Programs with Community-Based Organization (CBO) partner names
  - Event recordings on YouTube
- CEMO on Social Media
- CEMO Email Newsletter signup

Thank you!

Contact Information

MARTA A. SEGURA, M.P.H.
CEMO DIRECTOR &
Executive Director, Climate Emergency Mobilization Commission
Board of Public Works
City of Los Angeles

CLIMATE EMERGENCY MOBILIZATION OFFICE
Board of Public Works
City of Los Angeles
200 N. Spring Street, Rm 967
Los Angeles, CA 90012

www.climate4LA.org

Polling Questions

Link to complete the poll will be sent via email.

Buildings

NREL developed a model of 50,000 representative housing units that cover the diversity of housing characteristics, appliance ownership, occupant behavior, income levels, climate zones, and owner/renter status that exist in LA.

1. Knowing that weatherization costs (likely subsidized through a utility program) increase as the amount of time safe temperatures are maintained increases (e.g., because of cost of increased insulation, etc.), what amount of time would be an appropriate goal to maintain safe in-home temperatures in a power outage before residents would need to leave the home to seek safe temperatures at a cooling center or elsewhere?
    - 2 hours (lowest program cost)
    - One night
    - 24 hours
    - 48 hours (highest program cost)

2. What are the main populations or building types NREL should assess for thermal comfort and safety in this analysis (e.g., income levels, disadvantaged communities, homes in existing urban heat islands, etc.)?

3. What guidance do you have on programs, policies, outreach, or education implementation strategies to equitably deploy building weatherization and building technology upgrades for underserved households?

Transportation

Looking to the future for underserved or disadvantaged communities who rely on a **personally owned vehicle**, NREL is modeling equitable electric vehicle adoption and charging access in Los Angeles by the year 2035 to determine incentive levels and approaches to achieve this. The modeling will focus on identifying and removing the major hurdles preventing vehicle owners from purchasing and owning EVs.

1. What are your ideas for programs, policies, outreach, or education strategies to increase **electric vehicle access and affordability** among vehicle-owning underserved or disadvantaged households in Los Angeles through existing LADWP used EV and charging rebates or new approaches?

2. What are your ideas for programs, policies, outreach, or education strategies to increase **benefits from electric vehicle charging station access** among vehicle-owning underserved or disadvantaged households in Los Angeles?

Transportation

For underserved or disadvantaged communities who do not rely on a personally owned vehicle, NREL is modeling increased equity in access to and benefits from **electric multimodal travel options** (e.g., options other than private cars) by the year 2035.

1. What are your ideas for strategies **to increase mobility and decrease transportation costs** for low- to moderate-income households and underserved communities **through increased access to, and use of, e-bikes, e-scooters, or car-share programs**?

Feel free to suggest neighborhood-, community-, or household type- (e.g., renters, multifamily building residents without home charging access) specific approaches.

Poll will be sent today

Please respond by November 30

Introduction to Rates Analysis and Regulatory Constraints

Simon Zewdu, LADWP

Rates and Affordability Analysis

Modeling strategies to maintain low-income bill stability

Thomas Bowen, NREL

Rates/Affordability

Low-Income Energy Bill Stability

Questions to Be Answered:

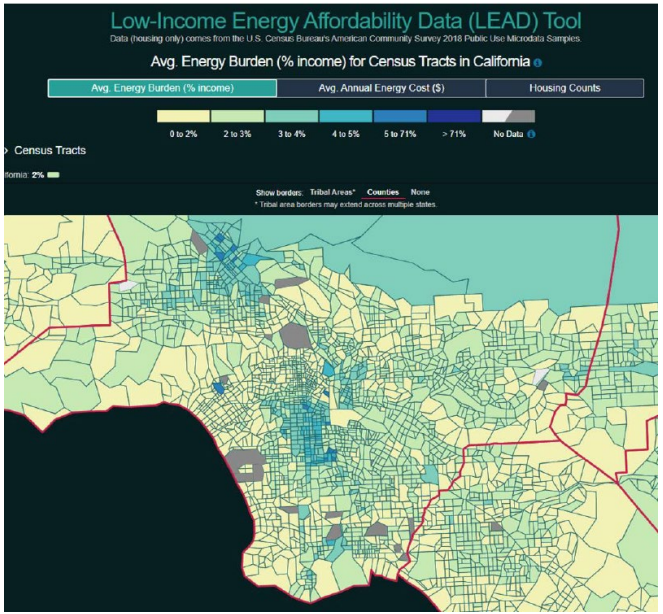
- How will costs of LA's clean energy transition impact low- and moderate-income household energy bills under multiple scenarios?
- How can different rate structures, assistance, and utility programs stabilize bills for low-income households?

Outcomes:

- Set of implementation strategies to stabilize low-income household bills
- Customer bill impacts by household type
- Estimated program cost to LADWP

Examples of Steering Committee Guidance:

- Input on which implementation strategies to test
- Input on what other program design elements should be studied



Source: Low-Income Energy Affordability Data Tool. Average Energy Burden (% income) for Census Tracts.

Output Metrics

Rates and Affordability Output Metrics	Example of Enabled Equity Strategy Analysis
Customer energy bills	Optimized electricity rate structures that prevent burdensome rate increases for low- and moderate-income customers
Customer energy burdens	Electricity rate structures that reduce energy bill expenses as a percentage of low- and moderate-household income
Program costs for LADWP	Modeled low- and moderate-income bill stability rate structure implementation costs
Revenue comparisons for LADWP	Any differences between LADWP revenue requirements and electricity bill revenues resulting from implementation strategies

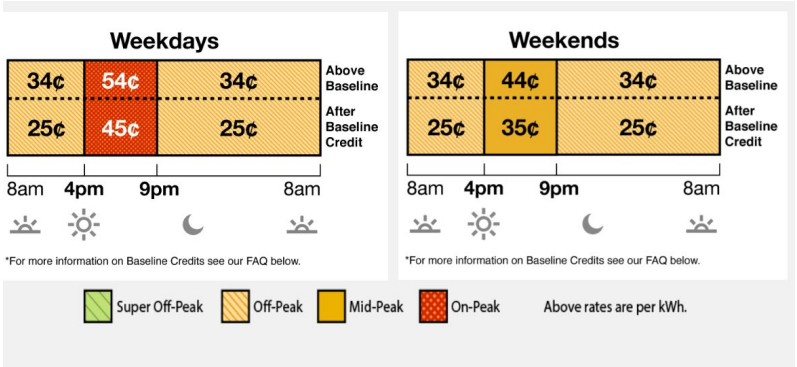
Rates and Affordability Equity Metrics

Category	Metric	Source
Sociodemographic	Disadvantaged community	Senate Bill 535
	Income	American Community Survey
	Tenure (renter- or owner-occupied household)	American Community Survey
	Dwelling type	American Community Survey

Definitions: Rate Overview

- Tiered rates vs. Time-of-Use Rates
- LADWP bill adjustment factors
- Efficiency vs. comprehensibility, affordability vs. recovery

Example Time-of-Use Rates



Overarching Scenarios

Scenario Type	Scenario Name	Description
Rates under energy transition scenarios	SLTRP: Case 1	Residential customer class rate recovery in 2035 for **SLTRP Case 1**
	SLTRP: SB100	Residential customer class rate recovery in 2035 for **SLTRP SB100**
Technology adoption	Baseline	Households in **highest income** brackets receive upgrades first.
	Equitable	Households in **lowest income** brackets receive upgrades first.
Time-of-use (TOU) uptake	Moderate	Residential customers are transitioned to TOU rates, starting with high-income customers, until **20%*** of customers are on TOU rates by 2035.
	High	Residential customers are transitioned to TOU rates, starting with high-income customers, until **60%*** of customers are on TOU rates by 2035

* final values still under consideration

Strategies Overview

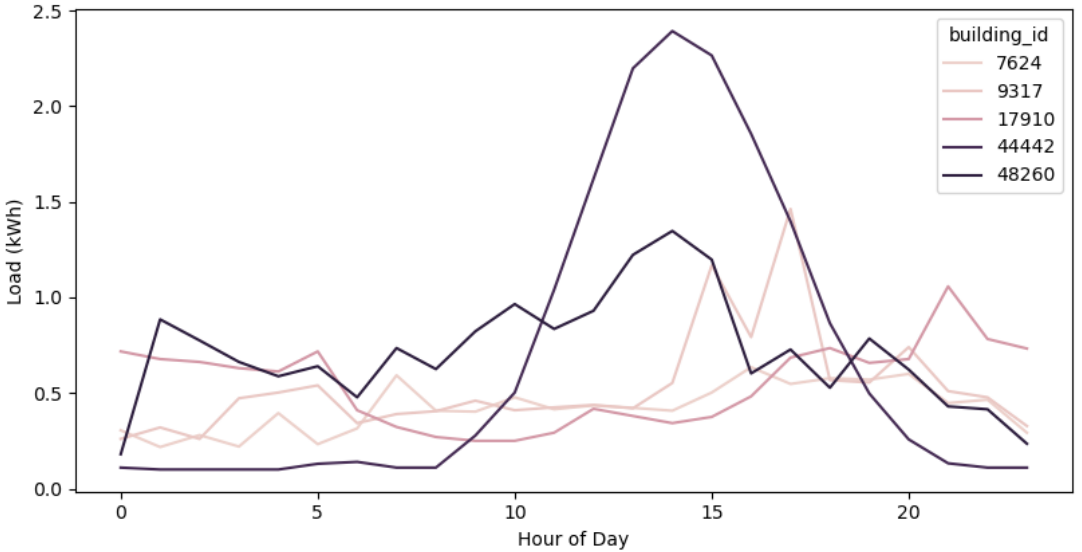
Strategy Name	Description
Baseline	Tariff trends seen today assumed to continue into future, tariff values escalate into the future to maintain sufficient revenue recovery across the residential customer class.
Income-based	Baseline tariff structure, with income-based fixed charges added. Energy charges and demand charges are recalculated to maintain fixed revenue recovery target.
Technology financing	Baseline tariff structure, and low-income customers adopt energy efficiency upgrades leveraging a Pay-As-You-Save financing mechanism for funding the adoption. Inflation Reduction Act incentives incorporated.
Bill assistance	Baseline tariff structure, with utility bill assistance for low-income customers to maintain bill stability over modeling timeframe.

Rates and Affordability Modeling, Analysis, and Metrics

Residential Building Energy Modeling

- Los Angeles residential customers are represented by ~50,000 prototypical households.
- Prototypes capture household and building characteristics and load patterns.
  - Distinguished by single family homes, multifamily homes, renter- versus owner-occupied, income level
- These prototypical households are used to model which “upgrades” stabilize bills for low- and moderate-income households.

Modeled load on a Wednesday in July by building type



Tariffs (Electricity Billing Rates)

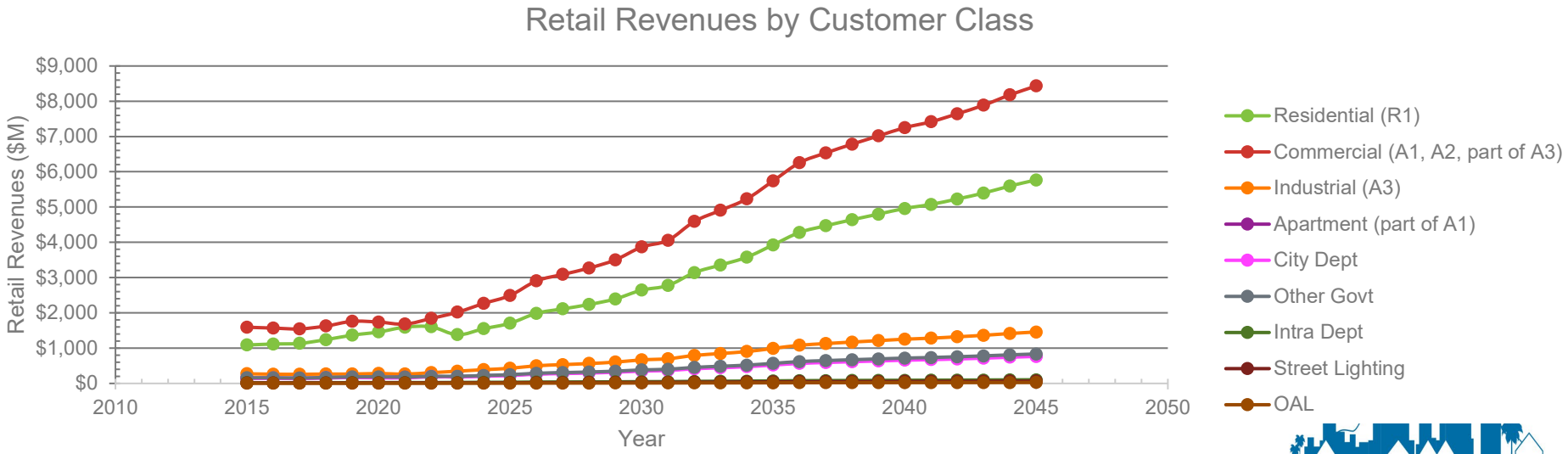
- Two baseline tariff structures considered: Tiered (R1A) and TOU (R1B)
  - Discounts/utility assistance rates (EZ-SAVE + Lifeline) added on afterward
  - For certain strategies, additional rate elements (i.e., income-adjusted fixed charges will be added on top of baseline tariff structures)
- Model considers some rate elements as “fixed” and others as “tunable.”

Fixed	Tunable
Time-of-use period timing	Energy charge values
Tiered rate consumption levels	Riders (adjustment billing factors)
Which rate a customer is on	Minimum bills Fixed charges Power access charge values

Revenues and Costs (Revenue Requirement)

- Revenues from residential customers* are calculated as the sum of customers' bills
- Costs are taken directly from estimates by the LADWP rates team for residential customers

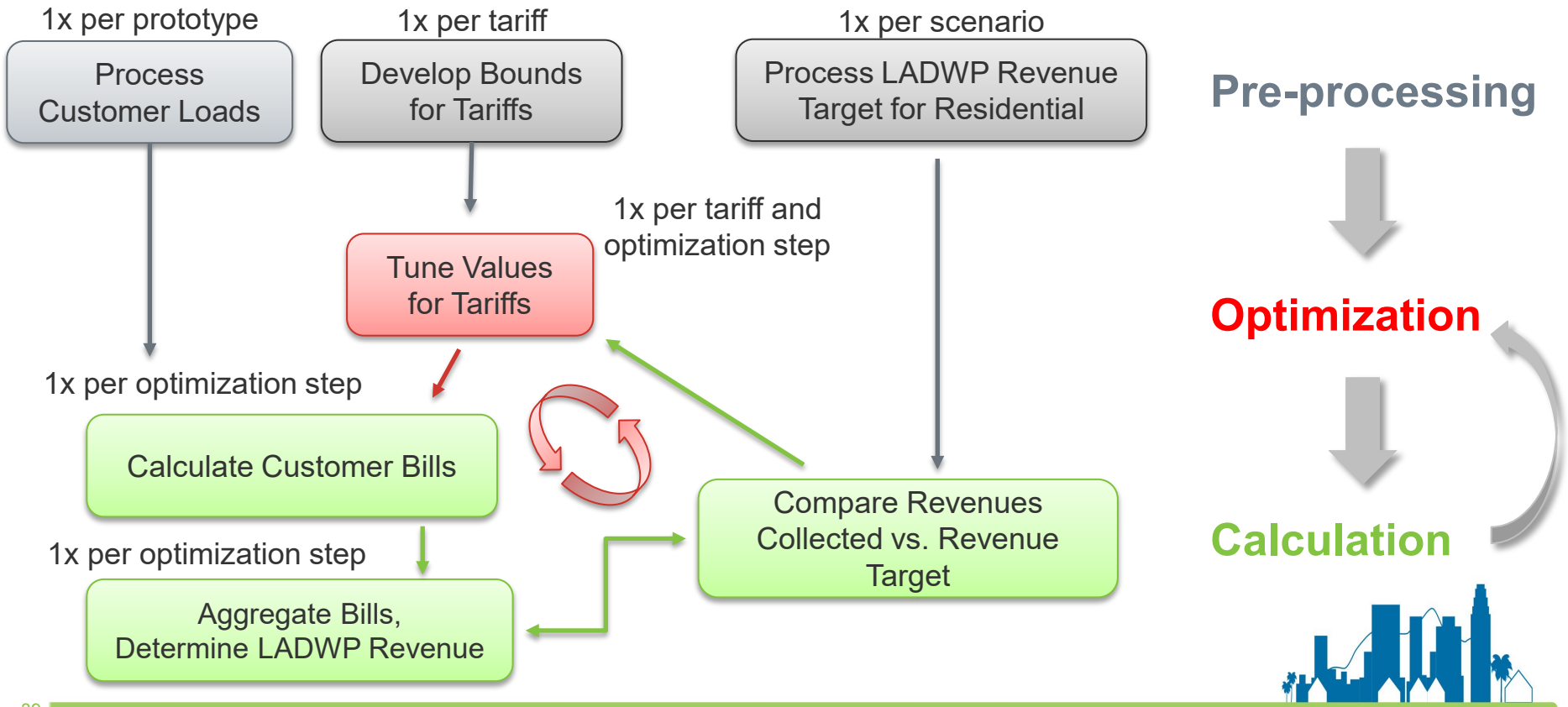
* LADWP's total revenues include commercial and industrial customer revenues, among others. This model only considers residential customer impacts



Model Optimization

- Model tries to minimize the difference between revenue target and revenue collected
- Model:
    1. “Guesses” tunable rates values
    2. Assigns “guessed” rates, loads to prototypical customers
    3. Calculates customer bills
    4. Aggregates customer bills into LADWP collected revenue
    5. Compares collected revenue with revenue target
    6. Develops new guess for tunable values.

Model Optimization



Discussion

- For TOU rates:
  - Is it appropriate to assume low-to-no TOU rates among low-income customers?
  - If TOU rates provide bill savings for residential customers, should we model low (<20%) or high (>50%) residential customer participation in TOU rates by 2035?

Discussion

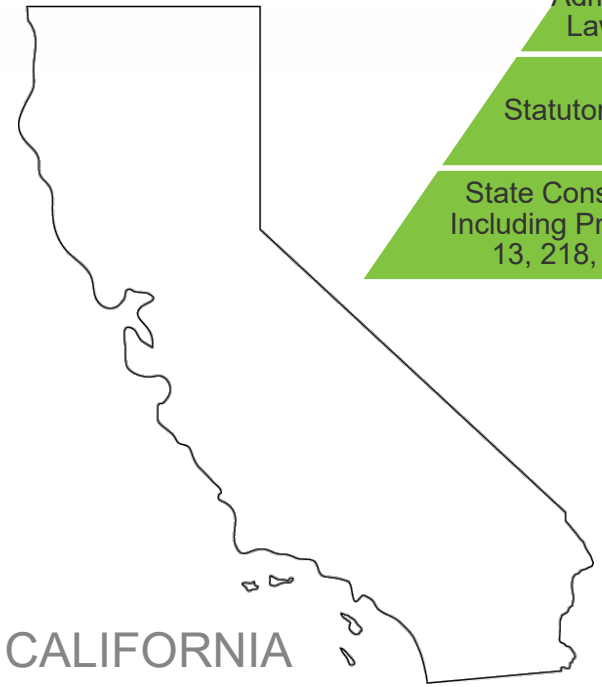
- For weatherization and technology adoption strategies:
  - We plan on modeling:
    a. “quick/low-cost” (sealing cracks, etc.)
    b. “full electrification” upgrades
  - Should more technologies be explored?
  - Should other financing mechanisms be explored?

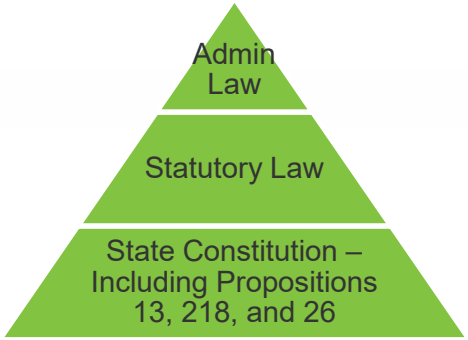
Legal and Regulatory Constraints on Ratemaking (LADWP)

Rachel Sheinberg, UCLA

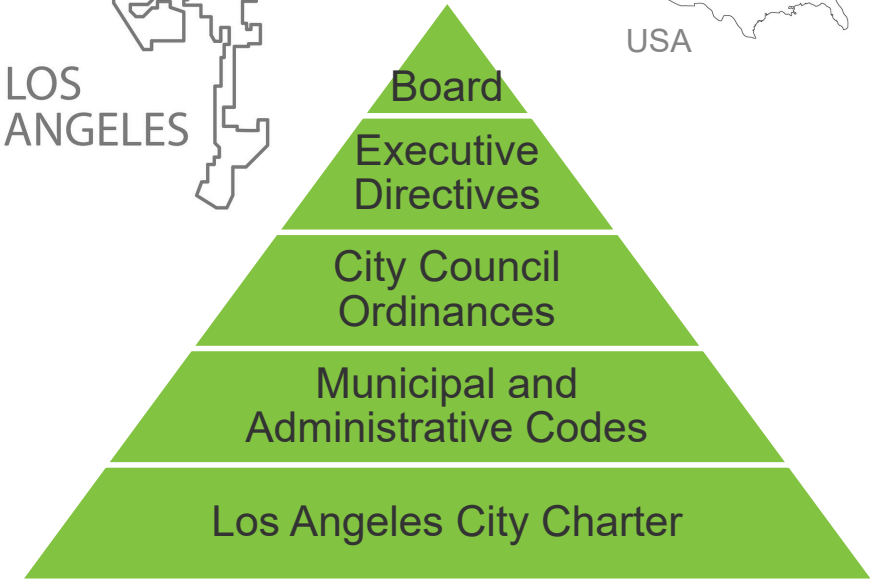
What does DWP need to consider when setting rates?

- There are a variety of laws and regulations that LADWP must consider when setting electricity rates, all coming from different authorities.
  - It is important to understand these requirements - and how they might need to change - when discussing affordability solutions!
- Arguably the most *visible* constraints on municipal utility ratemaking are Propositions 218 and 26.
  - With these propositions limiting ratemaking, many solutions we discuss would require policy changes to be implemented at the city or state level.
- But there are also other local and state regulations that impact affordability and rates, such as California's Public Utilities Code and the LA City Charter.
  - In some cases, these might even support the *need* for rate changes.





Federal Energy Regulatory Commission (FERC) - Federal Power Act



Regulatory Levels

CA State Law: Municipal Utilities

- Utility regulations in California state law fall under the Public Utilities Act.
  - Most of the Public Utilities Act (also called the Public Utilities Code) concerns investor-owned utilities and the California Public Utilities Commission (CPUC).
  - The state's investor-owned utilities include Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) - which are all regulated by the CPUC.
- A few specific rules concern local publicly owned electric utilities (e.g., LADWP)

CA State Law: Municipal Utilities

- Public Utilities Code Sections 385 and 386 concern publicly-owned utilities and set out requirements for things like load management, renewable procurement, and low-income energy affordability.

- For example, Section 386 (a) and (b) read:

(a) Each local publicly owned electric utility shall ensure the following:

(1) Low-income families within the utility's service territory **have access to affordable electricity.**

(2) The current **level of assistance reflects the level of need.**

(3) Low-income families **are afforded no-cost and low-cost energy efficiency measures** that reduce energy consumption.

(b) The local publicly owned electric utility **shall consider increasing the level of the discount or raising the eligibility level for any existing rate assistance program to be reflective of customer need.**

LADWP + Ratemaking in LA's Charter

- Article IV, Sections 670 through 684 of LA's City Charter address LADWP.
- Relevant highlights include:
  - Rates are set by the Board and approved by City Council ordinance.
  - Rates shall be "uniform for customers of similar circumstances…" *but* can take into consideration "nature of uses," "quantity supplied," and "value of service."
  - Rates need to be comparable or less than rates in surrounding regions (e.g., SCE and SDG&E).

Understanding Propositions 218 and 26

1978: Proposition 13 adopted, limiting property tax collection to 1% of property values

Cut municipal revenues from taxes in half!

Understanding Propositions 218 and 26

1978: Proposition 13 adopted, limiting property tax collection to 1% of property values

1996: Proposition 218 adopted, aimed to limit the ability of local governments to levy non-property taxes without voter consent

Cut municipal revenues from taxes in half!

Understanding Propositions 218 and 26

1978: Proposition 13 adopted, limiting property tax collection to 1% of property values

1996: Proposition 218 adopted, aimed to limit the ability of local governments to levy non-property taxes without voter consent

2010: Proposition 26 adopted, redefining many fees as taxes, and inserting these definitions of tax in Constitutional language from Props 13 and 218

Cut municipal revenues from taxes in half!

General and Special Taxes

- One important distinction in Prop 218 is that *General Taxes* require a simple majority vote (50%) and *Special Taxes* require a super-majority vote (66%) for approval
- General Taxes: Taxes (or fees!) “imposed for general governmental services”
- Special Taxes: Taxes (or fees!) “imposed for specific purposes, including a tax imposed for a specific purpose, which is placed into a general fund”
- This matters because, unsurprisingly, LADWP rate increases for equity purposes would fall under special taxes, meaning they would need *super-majority approval* on a ballot initiative.

Implications for Rates and Affordability

- Proposed changes to LADWP's rate structure will likely be scrutinized in the context of Propositions 218 and 26
  - Unless explicitly approved by voters, things like an increased rate paid by non-disadvantaged customers to subsidize more robust or complex discount programs might be viewed as an "unlawful tax"
  - That being said, NREL, UCLA, and community researchers have all found that the current system is inequitable across a wide range of outcomes
- Further, it could also be argued that *not* adapting more robust discount program(s) is problematic in the context of the Public Utilities Code requirements for serving low-income residents

Rates and Affordability: Looking Forward

- The equity strategies work is being conducted to support DWP and the community in identifying the most impactful rate changes and affordability strategies for implementation
  - Most (if not all) of the studied strategies would require a successful city-wide ballot initiative in order to be implemented
  - State and federal funding from programs like the Investment Reduction Act could also support affordability programs *without* being subject to Propositions 26 and 218, and LADWP is already in the process of applying for this type of funding

Discussion

Steering Committee Meetings

Going Forward

Tentative

January 18, 2022
Virtual

- Reliability and resilience modeling
- Transportation modeling
- Building modeling
- Community listening sessions update

Subsequent Meetings

- **Third Wednesday of each month, 10:00 a.m. – 12:00 p.m. PT**
- **Virtual** for near-term
- December meeting is canceled.

What would you like to discuss in upcoming meetings?
Drop your agenda suggestions in the chat!

Thank you!