Los Angeles 100% Renewable Energy Equity Strategies

Steering Committee Meeting #13
November 16, 2022

Summary[1]

Schedule and Location

Wednesday, November 16, 2022, 10:00 a.m. to 12:00 p.m.
Conducted virtually

Virtual Meeting #13 Attendees

Steering Committee Members

Climate Emergency Mobilization Office (CEMO), Marta Segura
Climate Emergency Mobilization Office (CEMO), Rebekah Guerra Day (alternate)
Climate Resolve, Jonathan Parfrey
DWP-NC MOU Oversight Committee, Tony Wilkinson
DWP-NC MOU Oversight Committee, Jack Humphreville (alternate)
Enterprise Community Partners, Michael Claproth (alternate)
Esperanza Community Housing, Nancy Ibrahim
Move LA, Eli Lipmen (alternate)
Los Angeles Alliance for a New Economy (LAANE), Victor Sanchez
Pacific Asian Consortium in Employment (PACE), Celia Andrade
Pacific Asian Consortium in Employment (PACE), Susan Apeles (alternate)
Pacoima Beautiful, Annakaren Ramirez (alternate)
Strategic Concepts in Organizing and Policy Education (SCOPE), Agustin Cabrera
Strategic Concepts in Organizing and Policy Education (SCOPE), Tiffany Wong (alternate)
South LA Alliance of Neighborhood Councils, Thryeris Mason

LADWP Board of Commissioners

Cynthia McClain-Hill, Board President

[1] This summary is provided as an overview of the meeting and is not meant as an official record or transcript of everything presented or discussed. The summary was prepared to the best of the ability of the notetakers.

LADWP Staff

Amanda Ly
Andrew Kwok
Armen Saiyan
Ashley Negrete
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Dawn Cotterell
Iris Castillo
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Jorge Centeno
Mudia Aimiuwu
Pjoy Chua
Ramon Gamez
Robert J. Meteau
Sean Lim
Simon Zewdu
Stephanie Spicer
Steve Baule
Vanessa Gonzalez

Project Team

Danny Zimny-Schmitt, National Renewable Energy Laboratory (NREL)
Eda Giray, NREL
Janet Reyna, NREL
Kate Anderson, NREL
Megan Day, NREL
Nicole Rosner, NREL
Sonja Berdahl, NREL
Thomas Bowen, NREL
Cassie Rauser, UCLA
Greg Pierce, UCLA
Magali Sanchez-Hall, UCLA
Rachel Sheinberg, UCLA
Stephanie Pincetl, UCLA
Christian Mendez, Kearns & West
Jasmine King, Kearns & West
Joan Isaacson, Kearns & West
Robin Gilliam, Kearns & West

Welcome Remarks

Joan Isaacson, facilitator from Kearns & West, welcomed members to the thirteenth Los Angeles 100% Renewable Energy Equity Strategies (LA100 Equity Strategies) Steering Committee meeting. She introduced Simon Zewdu, Director of the Transmission Planning, Regulatory, and Innovation Division, to provide opening remarks.

Simon Zewdu welcomed Steering Committee members and noted the progress researchers have made with the analysis and the listening sessions occurring with community-based organizations (CBOs). He stated that questions and interests related to CBO involvement have been heard and LADWP will develop workshops on LADWP programs, efficiency, and jobs in 2023. Simon Zewdu shared that one-on-one discussions with CBOs on specific areas of expertise will occur, and input will be captured in LA100 Equity Strategies modeling exercise.

Meeting Purpose and Agenda Overview

Joan Isaacson reviewed the meeting agenda (see slide 3 in Appendix). She shared that the main topic of the meeting would be rates and affordability modeling, as well as presentation by UCLA on legal and regulatory constraints related to ratemaking. Additionally, the Climate Emergency Mobilization Office (CEMO) would provide an organization spotlight and NREL would present poll questions on input on buildings and transportation modeling., Joan Isaacson reviewed the Steering Committee guidelines, overviewed agenda items for upcoming meetings (see slide 6 in Appendix), and reminded members that there would be no meeting in December 2022.

Equity Strategies Process Update

Kate Anderson, Director of Equity Strategies at NREL, provided an update on where the project team is in the LA100 Equity Strategies process, noting the team is in the middle of fall listening sessions, holding the thirteenth Steering Committee on this day, and holding five more meetings in 2023. The Advisory Committee has been meeting every other month. In technical scope, NREL is wrapping up the modeling and analysis and will begin sharing preliminary results in February and March 2023.

Steering Committee Spotlight

Joan Isaacson introduced Marta Segura, CEMO Director and Chief Heat Officer, to give a Steering Committee spotlight presentation on the organization (see slides 9-21 in Appendix). Marta Segura shared that CEMO is extremely grateful for the League of LA Coalition, which helps develop the focus groups and surveys that CEMO conducts to improve climate equity in Los Angeles. She noted that she was designated as the Chief Heat Officer for the City of Los Angeles earlier this year.

Marta Segura emphasized heat as the number one danger of climate change for Los Angeles. Furthermore, CEMO has categorized Los Angeles as the region with the number one risk for general climate hazards, particularly heat. Marta Segura explained that heat causes air pollution to stagnate,

which creates domes that overexpose vulnerable communities. To address this, a heat action plan and early warning system are in the works.

Marta Segura shared that CEMO's overarching goal is to catalyze collaborative, equitable extreme heat and climate policies to co-create climate resilience and thriving, healthy communities for all of Los Angeles. Some core functions include creating programs for meaningful engagement and civic-led governance strategies, coordination and collaboration with City leaders, and advocating for and delivering equitable climate policies. Marta Segura stated that these core functions center frontline communities.

Marta Segura shared CEMO's Report on Equitable Building Decarbonization: Equity-Focused Policy Recommendations for the City of Los Angeles, which is a result of community voices engaged in the past fiscal year. She explained that the report outlines what community members recommend if Los Angeles moves forward with building decarbonization. Additionally, the report discusses a sustainable funding model that avoids displacement and unintended costs that overburden communities.

Marta Segura noted that CEMO is currently working to create a resilience hub with the City and CBOs. Last year, CEMO did an analysis using CalEnviroScreen to ensure those living in the top 10% of pollution-burdened communities in Los Angeles were nominated for CEMO's Board. She emphasized the importance of investments being made in historically disinvested communities to ensure climate goals are met fast enough and for Angelenos' self-interest and survival.

Marta Segura stated that CEMO is working to align a network of plans, such as LA's Green New Deal, Heat Action Plan, Climate Action Plan/Climate Vulnerability Assessment, Community/Climate Resilience, Extreme Heat and Pollution Hazard Map, and Strategic Long-Term Resource Plans (SLTRP), with the goal of delivering a unified approach to provide for communities and to decarbonize Los Angeles.

Marta Segura described CEMO's efforts to create and operationalize tools for City departments to achieve their goals. CEMO operates with a climate equity innovative governance model where they first talk to community members, create workshops and focus groups, and then create a draft report with the support of a community-led design team. Ultimately, the draft report is reviewed by the Climate Equity Policy Committee and community and delivered to the Climate Emergency Mobilization Committee (CEMC). It is then brought to communities and the Los Angeles City Council. Marta Segura noted that extensive conversation occurs within this process before the report is finalized to ensure elected leaders have a good sense of community needs.

Marta Segura pointed Steering Committee members to CEMO's website to learn more: https://www.climate4la.org/. Joan Isaacson reminded members that presentation slides about CEMO would be sent out to the Steering Committee after the meeting.

Buildings and Transportation

Megan Day, Equity Strategies Project Manager and NREL Senior Energy Planner, presented polling questions on the buildings and transportation topics. She noted that NREL will send out the poll to the Steering Committee and that members are asked to respond by November 30, 2022.

Megan Day described the three poll questions for buildings that center on what parameters to set in the model to ensure NREL is focused on the right communities that need equity strategies. For transportation, she overviewed three questions with two focus areas. Megan Day explained that one focus is looking at electric vehicle access and affordability and making personal vehicles more affordable and accessible. The second area of focus is on households that do not currently own vehicles and how to make the electrification of multimodal transportation more affordable and equitable. Ultimately, NREL wants to explore increasing mobility while decreasing costs.

Joan Isaacson encouraged members to respond to the poll, noting that Steering Committee input is especially important and helpful to the researchers.

Rates and Affordability Modeling, Analysis, and Metrics

Simon Zewdu began the discussion on rates by stating that at the beginning of the LA100 Equity Strategies process, Steering Committee members were asked what equity means to them and their communities. At the core of LA100 Equity Strategies is understanding the impacts of the energy transition on communities in terms of affordability. Simon Zewdu went on to consider how communities will be further burdened by or benefit from the transition. One key area that stands out is affordability and the options available at LADWP. There have been conversations about debt relief at LADWP, along with a rates analysis looking forward. Simon Zewdu stated that rate structuring is a complicated process that involves a diverse set of stakeholders. He explained that some constraints are short-term while others are long-term and may need advocacy and action to overcome. LADWP is intent on managing expectations and, noting the legal and regulatory constraints, would like to discuss constraints in an open and candid manner, Simon Zewdu shared.

Thomas Bowen, Rates and Affordability Researcher with NREL, introduced modeling strategies to maintain low-income bill stability. He explained that the analysis includes a baseline scenario that tracks current trends. The project team will begin developing strategies that reduce low-income energy bill burden. Thomas Bowen outlined metrics, including customer energy bills, customer energy burdens, program costs for LADWP, and LADWP revenue comparisons. Sociodemographic indicators are also included, such as disadvantaged communities, income, renter/owner-occupied buildings, and dwelling type.

Thomas Bowen stated that NREL has developed a number of scenarios and sensitivities to identify possible outcomes. First, he noted, rate evolution will be compared under different energy transition scenarios. For example, the project team will analyze how rates evolve if LADWP goes towards SLTRP Case 1 vs. SLTRP SB100 (see slide 32 in Appendix). He then described scenarios looking at technology

adoption that compare a baseline (households in highest income brackets receiving upgrades first) vs. equitable scenario (lowest income brackets receiving upgrades first). Finally, a time-of-use (TOU) update is also analyzed as a set of scenarios that looks at the transition of residential customers to TOU rates beginning with high-income customers.

Thomas Bowen overviewed several proposed strategies, including baseline or no changes, income-based fixed charges and a recalculation of energy and demand charges to maintain fixed revenue recovery target, and technology financing to offer energy efficiency upgrades to low-income customers with novel financing options such as pay-as-you-save with Inflation Reduction Act incentives incorporated. Finally, bill assistance strategies are included where LADWP will keep bills stable over time, he noted.

Thomas Bowen then described the two baseline tariff structures being considered (see slide 36 in Appendix). He noted that NREL is not considering the current TOU, but rather is looking at future TOU options based on SLTRP results. Revenue recovery targets are coming directly from SLTRP and LADWP needs to structure revenue recovery so the total amount of customer bills equals that amount. Lastly, he explained, the model aims to minimize the difference between the revenue target and the revenue collected. He then posed discussion questions to the Steering Committee (see slides 40-41 in Appendix), first on TOU rates and then on weatherization and technology adoption strategies.

NREL plans on modeling: “quick/low-cost” (sealing cracks, etc.) and“full electrification” upgrades. Input from the Steering Committee was solicited, including responses to the following questions:

- 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?
- Should more technologies be explored? Should other financing mechanisms be explored?

Major Themes from Steering Committee Questions and Discussion

- The core work is about focusing on the need to create a public good for all by investing in the most marginalized communities. This effort is not about benefiting individual ratepayers, but rather a co-benefit that accelerates climate and health solutions for all.
- Shifting to TOU rates is limited by Proposition 218, which means that changes in LADWP's rate ordinance would come under Proposition 218's prohibition on charging rates not based on the cost of delivery.
- Is there no viable strategy to change the baseline tariff structure itself?
    - Thomas Bowen: Under the baseline, most of the tariff stays the same, but some of it is updated. On top of the adjustment, additional elements under new strategies are included. The income-based fixed charge is the largest change to expect. Assuming LADWP doesn’t fundamentally change options, this serves as a baseline. NREL will analyze the customer bills associated with that scenario, then add elements for comparison.

    - Megan Day: The baseline is basically a business-as-usual scenario to compare strategies against it, and find strategies and tariff structures that stabilize bills for low-income customers.
- There is interest in the earlier comment that "the state is planning to move to the TOU rates." The state mechanism for investor-owned utilities and the Public Utilities Commission regulation do not apply to LADWP. But the mechanism the state will use may show us what we need to do to work in parallel. That is where we may need some state and/or voter help.
    - Thomas Bowen: The state referred to in the presentation was Hawaii's state plan. NREL will look at what is being done at Pacific Gas & Electric (PG&E).
- If the energy cost adjustment factors (ECAFs) are not changed, the ability to affect the total bill for low-income [customers] is more than cut in half.
    - Thomas Bowen: Rates will not be changed from now until 2035. The project team is less interested in what is recovered from the base, and it should be assumed that this will be able to be updated. NREL is considering changes to bill adjustments.
- Regarding holding off on LADWP structural changes before 2035, this plan cannot move forward without structural changes before 2035.
    - Cynthia McClain-Hill, LADWP Board of Commissioners, Board President: It is important to look beyond existing constraints and understand the status quo. It is critical to model scenarios that meet goals with respect to an equitable implementation of a clean energy transition by 2035. This will be necessary to put forward a policy agenda. Structural reform is critical. An act of voters or charter change may be relevant to making equitable changes. LADWP can help outline what processes can make structural change possible, but the team cannot be constrained by what is currently possible.
- Could a change to the city charter, via a popular vote, be a tool to end constraints around Proposition 218, resulting in a more equitable rate structure?
- It would be helpful to model rate structures that might be more advantageous even though a charter change may be needed.
- TOU rates are the rates dependent on when energy is used. This can change between seasons, as well. TOU rates can be changed to provide savings for other things.
- A lot of members right now are still having trouble accessing resources to understand their bill as it is now. While TOU could provide significant savings, outreach and engagement are needed around the benefits and information about TOU.
- There are issues now with addressing disadvantaged communities. Is LADWP willing to be more flexible with requirements? Sometimes there is no equitable distribution of these benefits due to the documentation needed.
    - Thomas Bowen: The effort to make this accessible is necessary. High administrative overhead is needed to administer programs to communities.
- The capital cost of putting in energy-efficient central cooling (as an example) could be really huge and beyond Los Angeles' ability to fund. It might also be cheaper to buy a room air conditioning unit than to pay for the labor to seal cracks for a quick or low cost solution.
    - Thomas Bowen: The pay-as-you-save model is essentially based on the idea that a given technology (even assuming future discounts) can actually save costs over its lifetime despite having significantly higher upfront costs. What the pay-as-you-save model does is have an entity like LADWP pay the upfront costs (e.g., with Inflation Reduction Act

support) and then bill customers to make itself whole over the program's lifetime. There are financial metrics that need to be considered around how much debt LADWP could assume at any one time before its bond rating is impacted, but the team will look into that and scale the test pay-as-you-save program to ensure that it is not assumed that LADWP takes on more debt than it could in reality.

- Thomas Bowen: The project team may not assume that every low-income customer gets an efficient technology through pay-as-you-save in a single year (due to limitations around Inflation Reduction Act payouts and LADWP's limitations on assuming so much debt all at once), but we are interested in testing if such a program positively impacts low-income customers relative to the baseline.
- Thomas Bowen: Regarding electrical panels, the buildings research team has said that they will include panel cost upgrades from the perspective of costs to customers, and those costs at the distribution level to LADWP are not included.

Legal and Regulatory Constraints on Ratemaking

Rachel Sheinberg, Researcher with UCLA School of Law, presented on legal and regulatory constraints on ratemaking. She started by outlining what LADWP needs to consider when setting rates, noting that LADWP must consider a variety of laws and regulations, such as Propositions 218 and 26, and other local and state regulations that impact affordability.

Rachel Sheinberg explained that many agencies and governing documents affect LADWP ratemaking. At the state level, LADWP must comply with the state constitution, including Propositions 13, 218, and 26; statutory law; and administrative law. Regarding issues involving transmission across state lines, the department is beholden to Federal Energy Regulatory Commission laws and regulations, she noted.

Rachel Sheinberg explained that utility regulations in California state law fall under the Public Utilities Act, which concerns the three major investor-owned utilities (PG&E, Southern California Edison, and San Diego Gas & Electric). Other publicly owned utilities are regulated in the public utilities code. In Section 386 of the Public Utilities Act, each local publicly owned utility must ensure low-income families have access to affordable electricity, that the current level of assistance reflects the level of need, and that low-income families are afforded no-cost and low-cost energy efficiency measures that reduce energy consumption. Furthermore, she shared, the local 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 needs.

Rachel Sheinberg described ratemaking in Los Angeles' charter. Sections 670 and 684 of the Los Angeles City Charter establish that rates are set by the Board of Water and Power Commissioners and approved by City Council ordinance. The charter also indicates that 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 to or less than rates in surrounding regions.

Rachel Sheinberg went into greater detail on state propositions. First, she explained, Proposition 13 limited property tax collection to 1% of property values, which cut municipal revenues from taxes in

half. In 1996, adoption of Proposition 218 aimed to limit local government's ability to levy non-property taxes without voter consent. Rachel Sheinberg shared that Proposition 26 along with Proposition 218, redefined many fees as taxes and inserted new definitions of taxes. Because of those changes, it is difficult for municipalities to impose new fees without voter approval. Importantly, general taxes require a simple majority vote (50%), and special taxes require a super-majority vote (66%) for approval, she noted. LADWP rate increases for equity purposes would probably fall under special taxes, Rachel Sheinberg explained, meaning they would need super-majority approval on a ballot initiative.

Rachel Sheinberg described the implications for rates and affordability as a result of the legal and regulatory constraints. She explained that proposed changes to LADWP's rate structure will likely be scrutinized in the context of Propositions 218 and 26. Unless explicitly approved by voters, changes like an increased rate paid by non-disadvantaged customers to subsidize more robust or complex discount programs might be viewed as an "unlawful tax." Importantly, Rachel Sheinberg emphasized, some researchers have found that the current system is inequitable across a wide range of outcomes. Further, she shared, it could also be argued that not adopting more robust discount program(s) is problematic in the context of the Public Utilities Code requirements for serving low-income residents.

Rachel Sheinberg noted that the LA100 Equity Strategies work is being conducted to support LADWP and the community in identifying the most impactful rate changes and affordability strategies for implementation. Most of the studied strategies would require a successful city-wide ballot initiative to be implemented. Lastly, Rachel Sheinberg noted, state and federal funding from programs like the Inflation Reduction Act could also support affordability programs without being subject to Propositions 26 and 218, and LADWP is in the process of applying for this funding.

Major Themes from Steering Committee Questions and Discussion

- What is related to local power issues is the Federal Energy Regulatory Commission requirement for reliability. It would prevent 100% green if there were not adequate energy storage, for example.
- The borrowing limit is also relevant here. Bond buyers don't want LADWP to borrow more than about 65% of its asset base value, and LADWP is already near that level. If LADWP can't borrow money to pay for long-term system changes, then the capital cost will need to be funded by rates (that is, pay-as-we-go), which is a significant rate hit.
    - Thomas Bowen: The borrowing limit is something that any pay-as-you-save mechanism needs to consider and NREL will be factoring it and (Inflation Reduction Act funds) into the strategy.
- Going for federal dollars is a smart move. It will be challenging to consider raising rates.
- The point that low-income customers are already subsidizing many things for the rest of the utility base, and the right of customers to be able to afford their utilities is enshrined in state law, is appreciated.
- If a wholesale change were to go into effect, it still seems permissible that a super-majority could affect that. Is there a vehicle to do a charter change with a simple majority that can affect a larger rate structure change? Can a citizen-driven initiative place an item on the ballot that could be a simple-majority vote to change the rate structure?

    - Rachel Sheinberg: Changing the City Charter can be done through the City Council and is possible outside of proposition constraints. Actual changes to fees and charges are still impacted by Propositions 218 and 26.
    - Cynthia McClain-Hill: An op-ed piece in the LA Times suggested LADWP needed to look at a charter change to provide more rate flexibility. LADWP has developed proposals to change the charter, and it has been advised that a super-majority is needed. There is uncertainty around whether it matters if the change is driven by citizens or. the City Council. LADWP can provide information but can't be involved in political activity. But, stakeholders can make a case for rate structure reform.
- The Neighborhood Councils (which are just a proxy for public transparency about LADWP) are still struggling to figure out all of the parameters of rate setting. One of the key recent realizations is that the "rate case" is too late to affect rates. The capital and operations plans (long-term resource plans) are what determine the "money needed." It is challenging to spread the revenue generation across customer groups. The more power the utility sells, the less each kilowatt hour of power will cost. Capital costs are fixed. Only generation costs are incremental by the amount sold.
- Would a City Charter change initiative just take out Prop 26 and 218 barriers or does it set specific rates that voters have to vote on? If the latter, these must be ground truthed with community members, especially those disproportionately impacted by high utility burden.
    - Rachel Sheinberg: In a charter change, there would need to be specific information about the rate structure. Communication with the community is needed to identify this rate structure.
- There are limits to a municipal utility regarding political issues. LADWP will need public support for changes needed to reach more equitable rate structures.
- The point about capital and operations plans considers what is entailed in the revenue recovery target and if they are necessary investments.

Wrap Up and Next Steps

Joan Isaacson reminded participants that the next Steering Committee meeting will take place on January 18, 2022, and will include topics on reliability and resilience modeling, transportation modeling, building modeling, and an update on the community listening sessions. She noted there is a link to answer polling questions on buildings and transportation, and members are asked to respond by November 30, 2022. She further reminded that subsequent meetings would occur monthly on the third Wednesday of each month from 10:00 am – 12:00 pm.

Simon Zewdu closed the meeting by noting the productive discussion on rates and affordability. He expressed thanks to the Steering Committee members for their collaboration in the LA100 Equity Strategies process and for providing helpful input to ensure equity is achieved in the future. Simon Zewdu stated that the project team is looking forward to an effective and consequential future, and current hurdles and issues are being considered. Importantly, he emphasized, this study can be a model and solution in the future, as Los Angeles can set an example as the first city in the country to develop strategies for an equitable energy transition.

Simon Zewdu shared that LADWP is looking at additional engagement and collaboration opportunities, and that engagement will continue within and beyond the study in an effort to provide reliable service equitably. Simon Zewdu closed by stating he is looking forward to more meetings and discussions and a make-up session for the missed December meeting. Lastly, he thanked members for participating and wished them a happy holiday season.

Appendix

Steering Committee Meeting #13
November 16, 2022
Presentation Slides

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

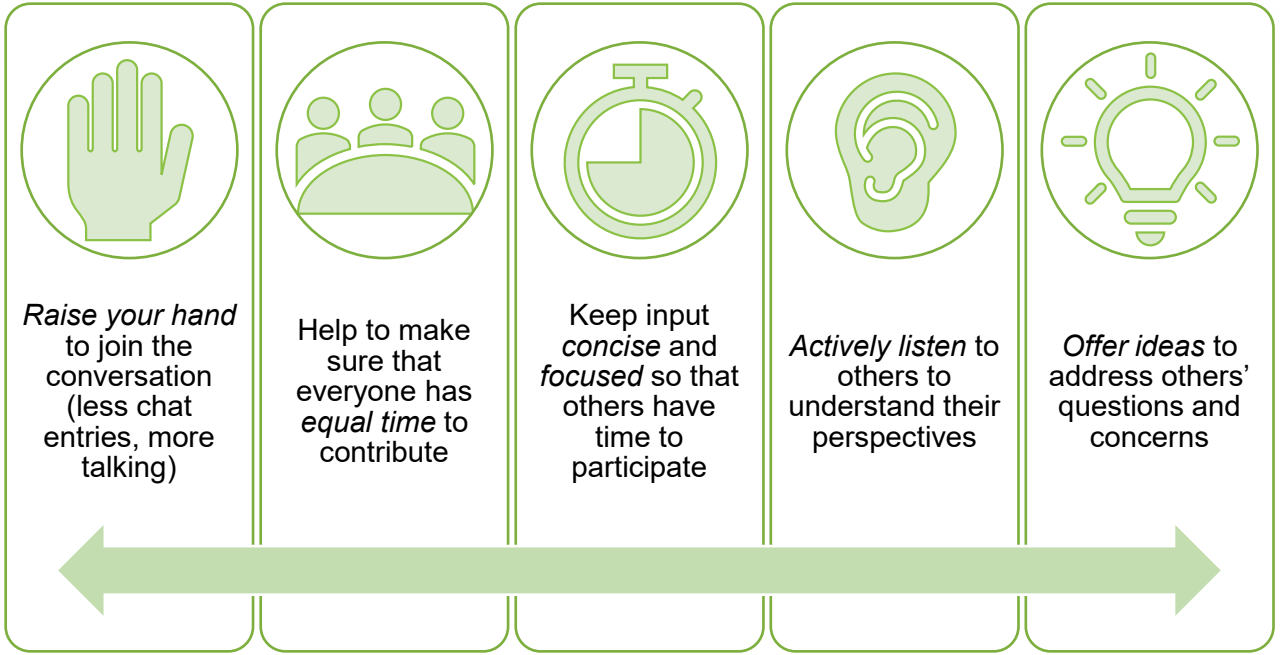
Steve Baule
Utility Administrator
LA100 Equity Strategies Oversight
& UCLA Contract Administrator

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

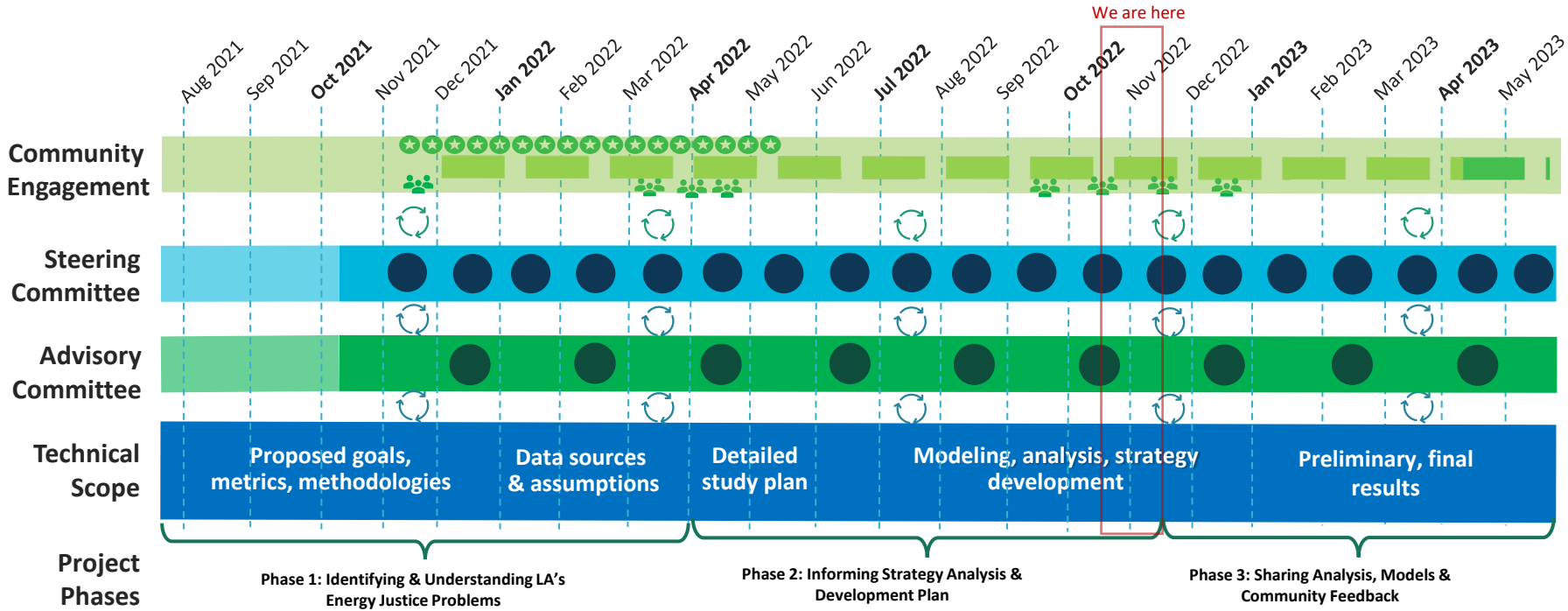
January 18, 2022

- 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

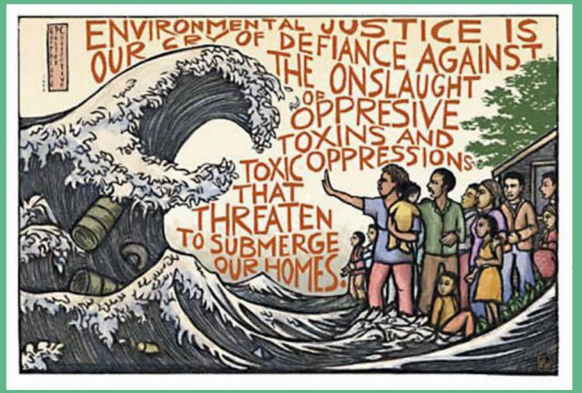
Director, Marta A. Segura, M.P.H.
Executive Director, Climate Emergency Mobilization Commission
CHIEF HEAT OFFICER
www.climate4LA.org

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

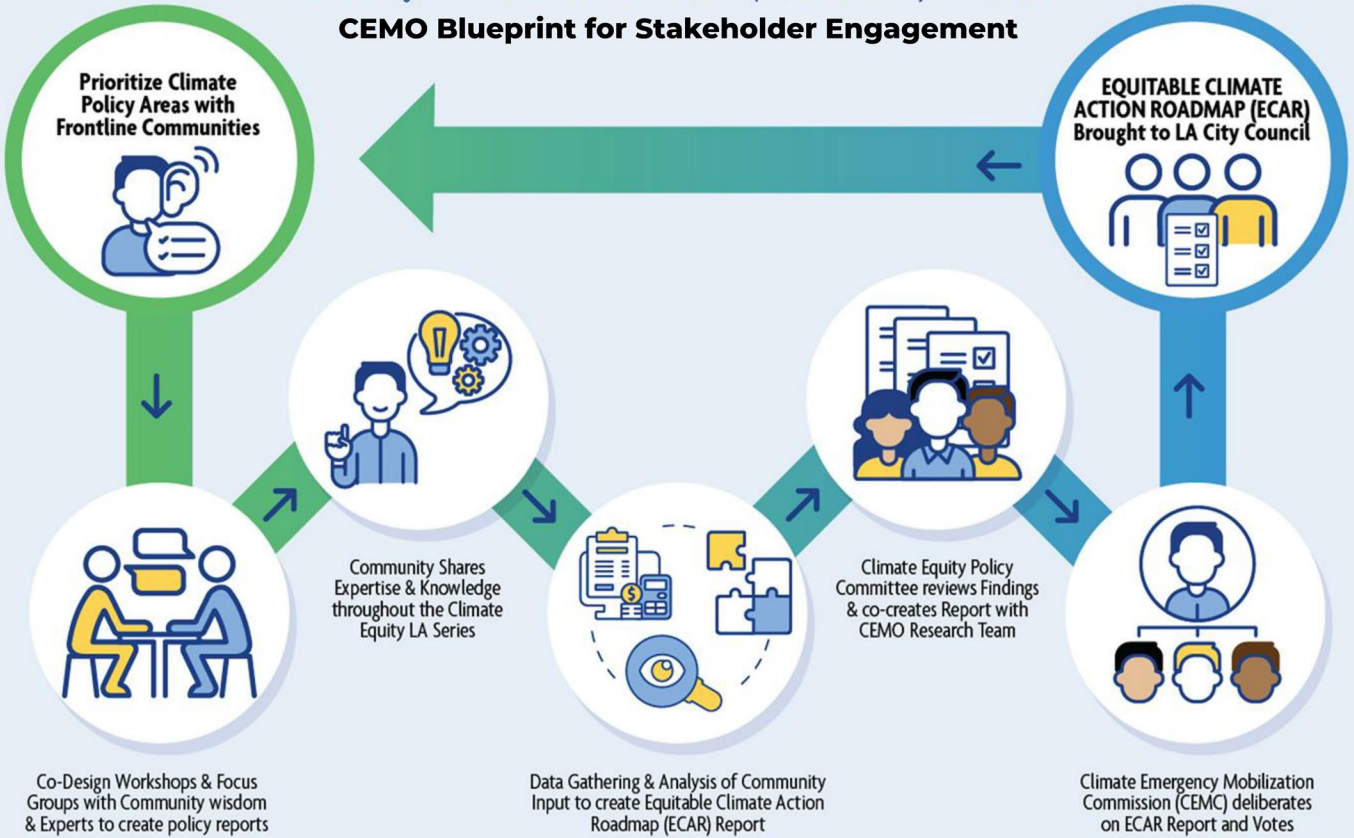
Aligning a Network of Plans

- 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

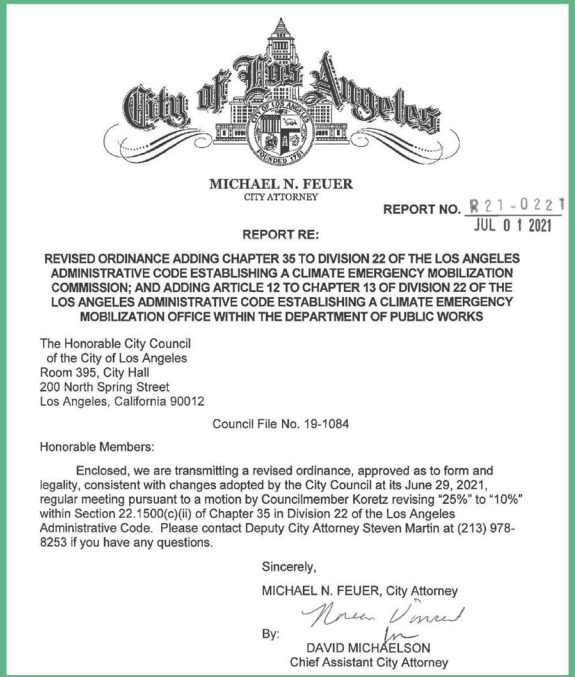
CEMO Blueprint for Stakeholder Engagement



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:

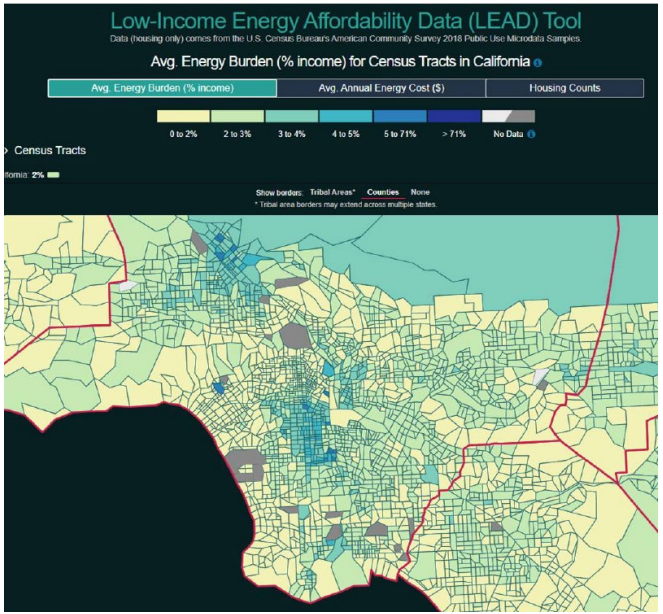
- How will costs of LA's clean energy transition impact low- and moderate-income household energy bills under multiple scenarios?
- How can different rate structures, assistance, and utility programs stabilize bills for low-income households?

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

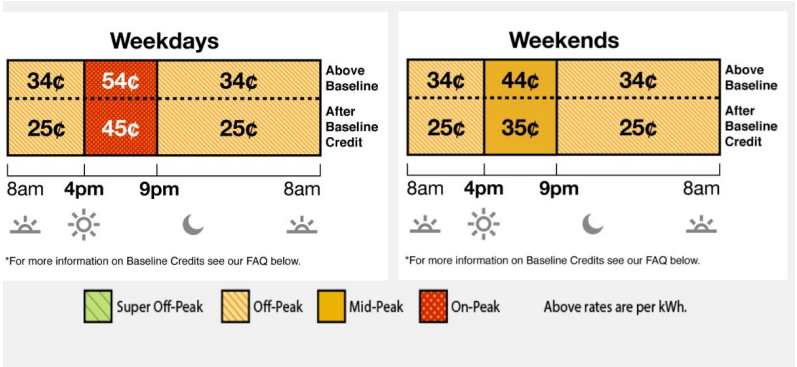
Rates and Affordability Equity Metrics

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

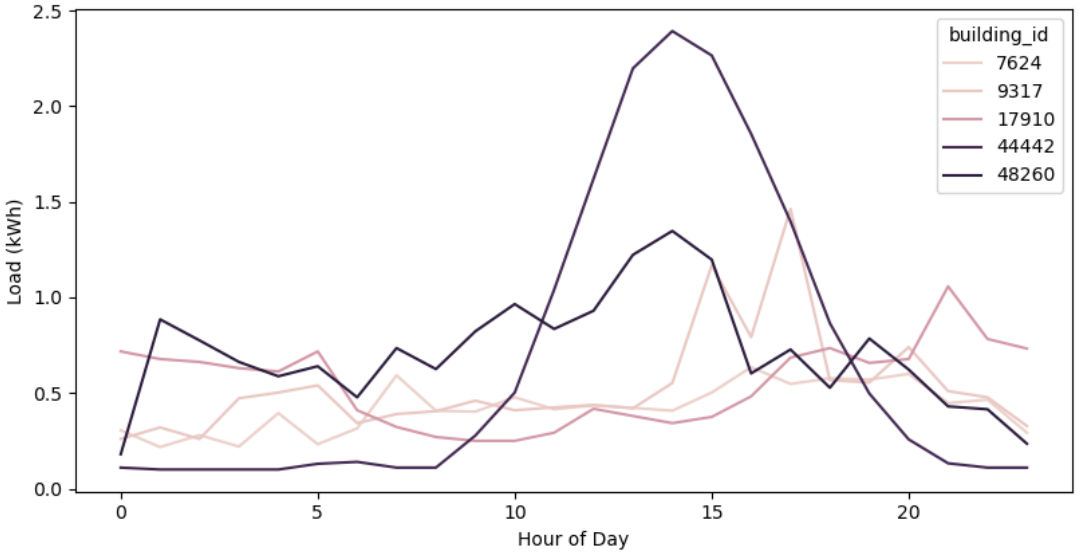
Strategy Name	Description
Baseline	Tariff trends seen today assumed to continue into future, tariff values escalate into the future to maintain sufficient revenue recovery across the residential customer class.
Income-based	Baseline tariff structure, with income-based fixed charges added. Energy charges 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)

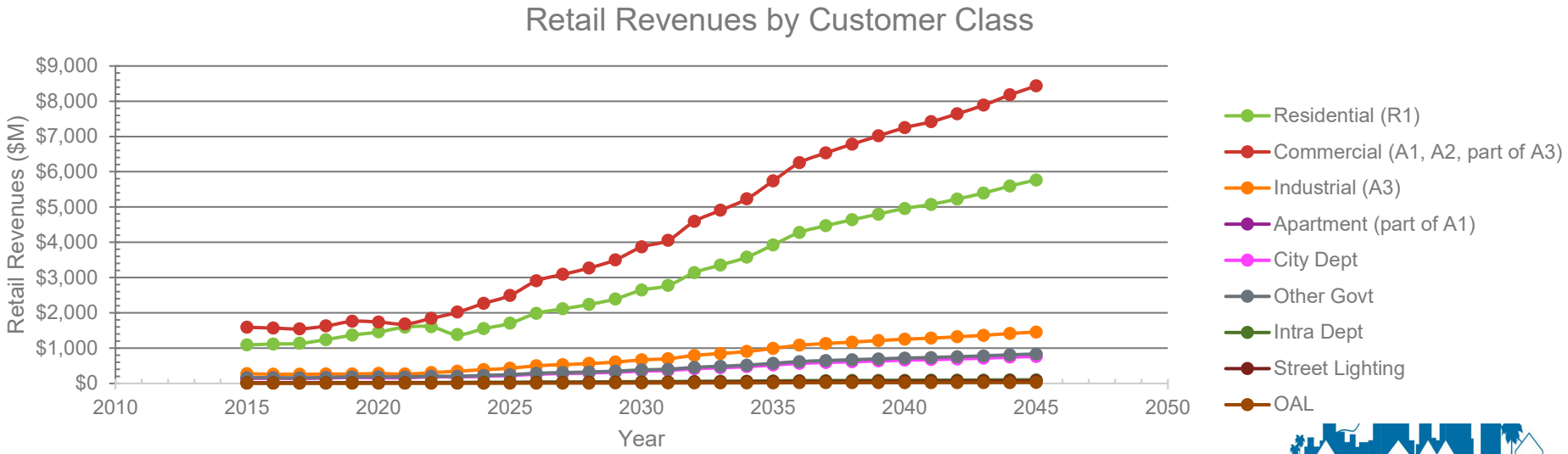
- Two baseline tariff structures considered: Tiered (R1A) and TOU (R1B)
  - Discounts/utility assistance rates (EZ-SAVE + Lifeline) added on afterward
  - For certain strategies, additional rate elements (i.e., income-adjusted fixed charges will be added on top of baseline tariff structures)
- Model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

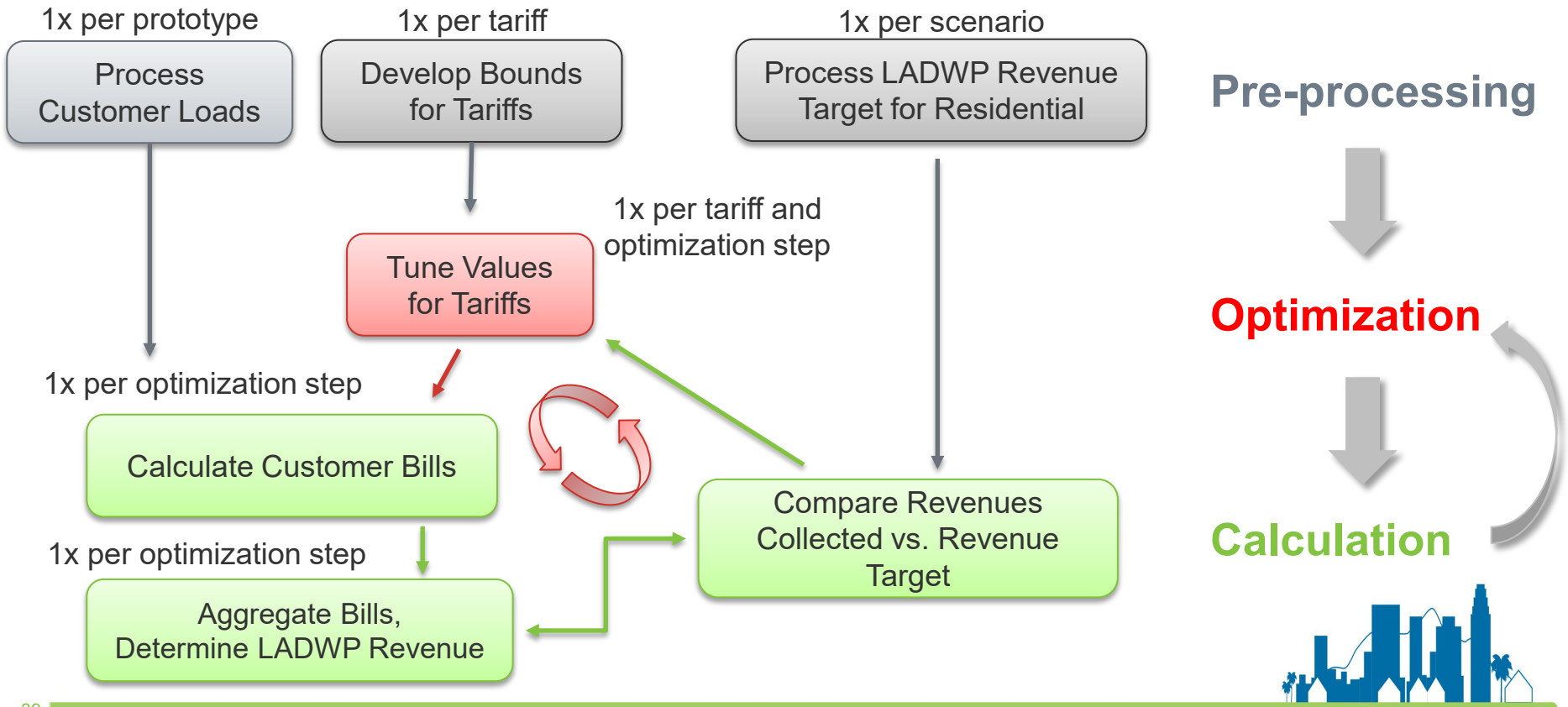
* LADWP's total revenues include commercial and industrial customer revenues, among others. This model only considers residential customer impacts



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

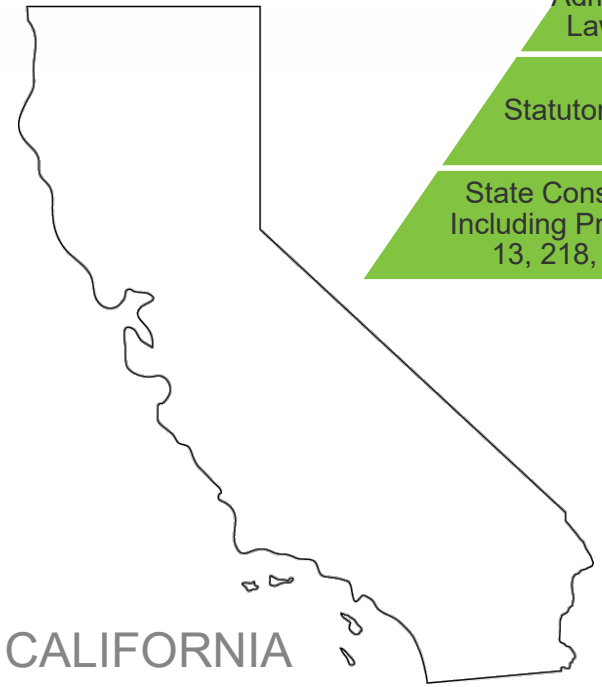
- For weatherization and technology adoption strategies:
  - We plan on modeling:
    a. “quick/low-cost” (sealing cracks, etc.)
    b. “full electrification” upgrades
  - Should more technologies be explored?
  - Should other financing mechanisms be explored?

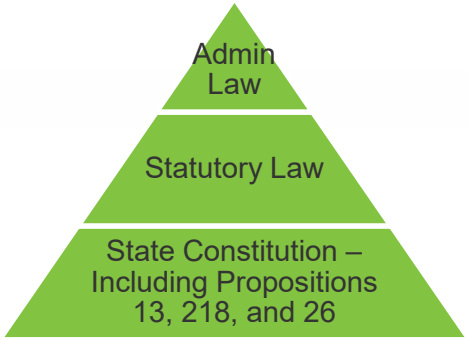
Legal and Regulatory Constraints on Ratemaking (LADWP)

Rachel Sheinberg, UCLA

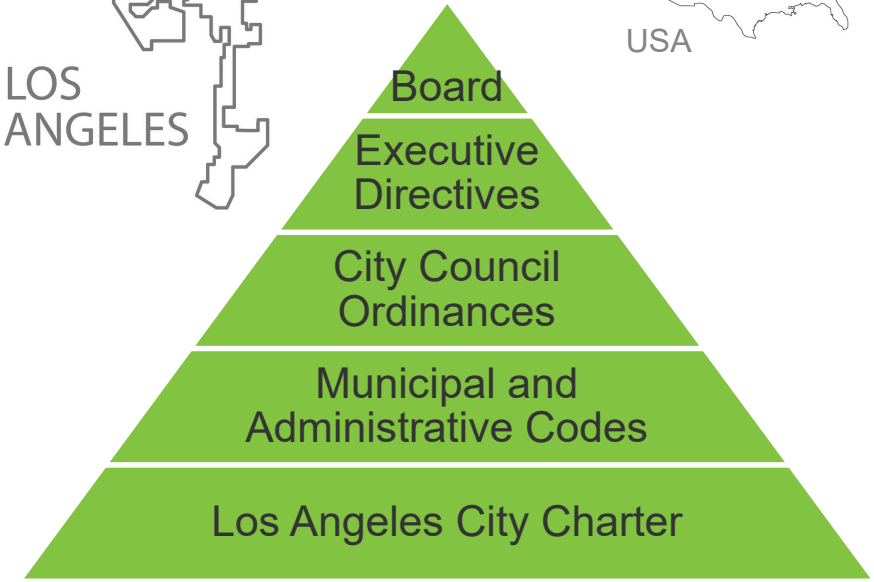
What does DWP need to consider when setting rates?

- 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!