



AGENDA REPORT

Department

DATE:	May 7, 2024
TO:	Mayor Martinez and Members of the City Council
FROM:	Mayor Martinez, Councilmember Robinson, and Vice Mayor Jiménez
Subject:	Resolution in Support of the Implementation of Golden State Energy, a Not-for-Profit Utility
FINANCIAL IMPACT:	N/A
PREVIOUS COUNCIL ACTION:	N/A
STATEMENT OF THE ISSUE:	Richmond residents and all Californians deserve access to safe, clean, affordable and reliable energy. The failures of California’s current utility model and regulatory infrastructure have caused grievous harm via catastrophic wildfires, smoke, shutoffs, environmental injustice, climate disruption and escalating rates. An alternative to the investor owned utility model is needed. Richmond residents and Californians more broadly would benefit from ending PG&E’s monopoly control of the energy transmission and distribution system and transitioning to an energy system.
RECOMMENDED ACTION:	RECEIVE a presentation from the organization Reclaim Our Power coalition; ADOPT a resolution in support of the implementation of Golden State Energy; and DIRECT STAFF to send the attached letter of support to Senator Skinner, Assemblymember Wicks, and Governor Newsom — Mayor Eduardo Martinez (510-620-6503), Vice Mayor Claudia Jiménez (510-620-6565), and Councilmember Doria Robinson (510-620-6568).

DISCUSSION:

“Electrification” is now considered a cornerstone of the transition away from fossil fuels and toward renewable energy sources. In California, the largest sub-national economy in the world, its legislative body and multiple state agencies have put policies in place that encourage decarbonization via massive electrification infrastructure shifts in particular.

Pacific Gas And Electric Company (PG&E) is one of six investor-owned utility (IOU) companies in California and one of the biggest utility companies in the United States. Its coverage area, which includes most of Northern and Central California, covers 70,000 square miles and serves 16 million people across the state.



In California, IOU rates are approved by the California Public Utilities Commission (CPUC), the state’s regulatory agency for these utility companies. In April 2024, with the blessing of the CPUC’s regulations, PG&E implemented massive rate hikes on its customers. This increase comes despite the corporation’s recent, well-documented history of power outages, wildfires, safety violations and financial mismanagement— all of which have posed significant threats to the safety and well-being of Californians. Given the economic profile of its residents, the City of Richmond must be particularly proactive about energy affordability and accessibility, all of which impact the local economy, housing stability, resident health, and more.

Fundamentally, the investor-owned utility model disincentivizes grid updates and investments in safety measures. Electricity rates are regulated to allow these utility companies to earn a specific rate of return (profit). Under this business model, investments into large projects—particularly new transmission projects—bring in more profit than investing in safety upgrades to existing infrastructure. In other words, there is very little incentive for PG&E and other IOUs to prioritize public benefit and safety when building or upgrading their assets; the safety and reliability of energy service come second to ensuring shareholder profits are maximized.

There is potential for an alternative model. Following PG&E's 2019 bankruptcy filing, California passed Senate Bill 350 in 2020. Also known as the Golden State Energy Act, SB 350 represented a critical first step in preparing for the potential failure of PG&E. SB350 created a framework for establishing Golden State Energy (GSE) to receive PG&E's assets and authorized GSE to take the basic actions necessary to ensure continuity of critical electrical and gas service in Northern California.

At this juncture, SB350's design is extremely skeletal, and GSE remains unstaffed and unfunded, creating significant uncertainty in the state's ability to act quickly in the event of PG&E's unexpected failure. With the increasing severity and unpredictability of our climate crisis, it is critical that we prepare for that eventuality in a way that prepares GSE to meet Californians' modern energy needs.

A statewide not-for-profit utility would address energy injustices and prioritize public benefits in the generation, distribution, and transmission grid-level investments. Across the country, municipal utilities, community choice aggregates, rural electric cooperatives, and tribal utilities already serve local electric loads without a profit motive. Nonprofit utilities, including publicly owned utilities, are able to consider the long-term impacts of an investment and weigh the long-term benefit to customers against short-term costs, without needing to prioritize immediate profits for shareholders.

Significant legal and financial issues remain to be addressed for this transition to occur, from wildfire liabilities to asset price determination. Many sectors of California are directly impacted by PG&E's failures to prioritize safety, reliability, affordability, health and climate. Transitioning power away from PG&E requires political will, and the movement must center frontline communities in order to meaningfully transform hundred-year-old institutions that are not able to shift with the urgency required for this moment. Cities, counties, schools, labor unions, and community-based organizations must call on California to enable Golden State Energy to become California's people-serving utility.

In short, further legislative action is needed to flesh out Golden State Energy. Local jurisdictions are in a unique position to apply their influence on state-level decision-makers and advocate for

DOCUMENTS ATTACHED:

Attachment 1 – Presentation

Attachment 2 – Resolution in support of the Implementation of Golden State Energy