



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JANUARY 13, 2025

SUBJECT: LEGISLATIVE UPDATE

ISSUE:

Consider receiving and filing the Legislative Update.

RECOMMENDATION:

That the Board of Public Utilities receive and file the Legislative Update.

BACKGROUND:

The 2024 legislative session was significantly shaped by California's \$47 billion budget deficit, which resulted in scaled-back climate and infrastructure programs. Despite these fiscal constraints, the Legislature remained highly active on utility-related issues, particularly focusing on rate affordability, conservation and climate initiatives, and infrastructure development.

A major development for funding was the successful passage of the \$10 billion climate resilience bond in November 2024, creating new funding opportunities for water infrastructure and conservation projects.

DISCUSSION:

Water Sector Overview

The water sector experienced significant legislative activity in 2024, in the areas of rate setting, water rights enforcement, and infrastructure funding. The successful passage of several key bills including the \$10 billion climate resilience bond, creates new requirements and opportunities for Riverside Public Utilities (RPU). These legislative changes will require planning and implementation to ensure compliance while maintaining efficient operations.

Rate Setting and Revenue Management

The passage of three landmark Proposition 218-related bills modify utilities' approach to rate setting and revenue management.

- Senate Bill (SB) 1072 provided critical clarity on excess rate revenue treatment, allowing utilities greater flexibility in managing surplus funds while maintaining accountability.
- Assembly Bill (AB) 1827 explicitly authorized the use of meter size in rate calculations,

validating a common industry practice and providing legal certainty.

- AB 2257 established a structured rate challenge process, potentially reducing litigation risk while ensuring customer protections.

Water Rights and Enforcement

AB 460 marks a shift in water rights enforcement, implementing substantially increased penalties for violations. The new fine structure – \$2,500 per day in non-critically dry years and \$10,000 per day for curtailment violations – demonstrates the state's commitment to strict water rights enforcement. This legislation requires utilities to enhance their compliance monitoring and reporting systems.

Development Impact Fees

SB 937's modifications to connection fee policies represent a significant shift in development financing. The legislation's requirements for deferred payment options and modified collection timing will require adjustments to existing fee structures while potentially impacting revenue timing and certainty.

Climate Resilience Funding

The November 2024 passage of the \$10 billion climate resilience bond (SB 867) represents an opportunity for water infrastructure development. With \$3.8 billion specifically allocated for water projects, the bond creates new funding opportunities for infrastructure modernization, conservation initiatives, and climate adaptation projects. Competition for these funds will be intense and require strategic planning along with robust grant applications.

Water Sector Implementation

The water-related legislation from 2024 requires operational changes in several key areas. The new Proposition 218 requirements necessitate a review and update of RPU's rate-setting procedures, including the development of enhanced documentation processes for revenue allocation and reserve policies. The strengthened water rights enforcement process under AB 460 calls for upgraded monitoring systems and additional staff training to ensure full compliance with the new penalty structure.

The successful passage of the climate resilience bond creates a need to develop a robust grant application strategy for RPU to be competitive in the grant arena. This includes identifying eligible projects, preparing comprehensive funding proposals, and establishing internal processes to manage potential matching fund requirements. Additionally, SB 937's modifications to connection fee policies require updates to RPU's fee collection procedures and the development of new payment plan options for residential developments.

Energy Sector Overview

The energy sector legislation in 2024 primarily centered on electric vehicle infrastructure and system safety requirements. While some proposed legislation threatened local control over utility operations, successful advocacy efforts helped maintain operational flexibility while advancing clean energy goals. The legislative outcomes reflect California's continued commitment to transportation electrification while recognizing the importance of maintaining reliable utility operations.

Electric Vehicle (EV) Infrastructure

The Legislature's focus on electric vehicle infrastructure produced several significant mandates. AB 2037's requirement for six-month inspections of POU and municipally owned chargers creates new operational obligations, while AB 2427 and AB 2697 establish new standards for curbside

charging and interoperability of EV charging infrastructure. Together, these bills signal the state's commitment to expanding and standardizing EV infrastructure while placing new responsibilities on EV charger providers including municipalities and utilities.

Infrastructure Safety and Control

A major victory came through the defeat of AB 2221, which would have imposed strict timelines for broadband attachment approvals. This preservation of local control over infrastructure safety maintains utilities' ability to prioritize system integrity and public safety. Additionally, AB 3062's new fire notification requirements for prescribed burns demonstrate increased attention to wildfire prevention and safety protocols.

Energy Sector Implementation

The energy sector faces significant implementation challenges, particularly in the realm of EV charging infrastructure. AB 2037's six-month inspection requirement necessitates the development of an inspection program, including staff training, documentation procedures, and reporting protocols. The new curbside charging and interoperability requirements from AB 2427 and AB 2697 require updates to existing municipal permitting procedures and payment systems for new curbside EV chargers.

Fire safety requirements under AB 3062 call for the establishment of new notification protocols for prescribed burns, requiring coordination between RPU's operations team and both city and county fire departments. While the defeat of AB 2221 maintained local control over infrastructure safety, RPU will proactively review and document its attachment approval processes to demonstrate continued commitment to safety and efficiency.

Expectations for 2025

The legislative developments of 2024 provide strong indicators of future policy priorities. Utility affordability is expected to remain at the forefront of legislative concerns, particularly given the failed attempts to establish a low-income water rate assistance program. The Legislature is likely to revisit this issue with new proposals aimed at expanding support for vulnerable customers while maintaining utility financial stability.

Infrastructure development will also continue as a key focus area, driven by the state's ambitious climate goals and the successful passage of the climate resilience bond. The extensive attention paid to EV charging infrastructure in 2024 suggests this trend will continue, with potential new requirements for charging deployment, accessibility, and grid integration. Water system improvements are also likely to receive increased attention as utilities begin competing for newly available bond funding.

Environmental initiatives are expected to gain renewed momentum, particularly in water conservation following the failed attempts to modify conservation frameworks through SB 1110 and SB 1330. These unsuccessful bills signal continued legislative interest in strengthening conservation requirements and may resurface in modified forms. Also anticipated are bills that will address some of California's existing climate regulations and implementation mechanisms, including a possible extension of and new rules for the cap-and-trade program. Climate resilience measures will likely expand beyond current requirements as the state continues pursuing its carbon reduction targets.

In the next two years, the California Legislature is expected to see a 60% turnover in seats from incumbent members to new members, many who have not previously held office. . Education of newly elected officials in both the Assembly and Senate provide an opportunity and a challenge

for RPU and public power and water as a whole.

RPU will prepare for these emerging priorities by developing proactive strategies for program implementation, particularly in areas that saw significant legislative activity in 2024. This includes strengthening customer assistance programs, preparing for expanded infrastructure requirements, and enhancing conservation initiatives.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 4 - Environmental Stewardship:**

- **Goal 4.1:** Rapidly decrease Riverside’s carbon footprint by acting urgently to reach a zero-carbon electric grid with the goal of reaching 100% zero-carbon electricity production by 2040 while continuing to ensure safe, reliable, and affordable energy for all residents.
- **Goal 4.6:** Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

The item aligns with each of the five Cross Cutting Threads as follows:

1. **Community Trust** – The report provides transparent analysis of legislation affecting RPU's operations and services, helping inform stakeholders of upcoming changes and impacts on the utility. The detailed breakdown of both passed and failed bills demonstrates open communication about legislative activities affecting the community.
2. **Equity** – The report tracks legislation focused on fair access to utility services, particularly through bills addressing rate assistance programs and affordability measures. This includes monitoring failed bills like SB 1255 for water rate assistance that signal continued legislative interest in equitable service provision.
3. **Fiscal Responsibility** – The report acknowledges California's budget constraints while analyzing legislation affecting RPU's financial operations and identifying new funding opportunities through programs like the climate resilience bond. It helps RPU prepare for and manage the financial impacts of new legislation.
4. **Innovation** – The report monitors legislation supporting new technologies and utility modernization, particularly in areas like EV charging infrastructure and clean energy transition, showing how RPU must adapt to changing industry demands.
5. **Sustainability & Resiliency** – The report covers multiple bills focused on environmental sustainability, water conservation, and clean energy infrastructure development, helping RPU align with long-term environmental goals and climate resilience requirements.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Attachments:

1. Assembly Bill 460 (Bauer-Kahan)
2. Assembly Bill 1827 (Papan)
3. Assembly Bill 2037 (Papan)
4. Assembly Bill 2221 (Carrillo)
5. Assembly Bill 2257 (Wilson)
6. Assembly Bill 2427 (McCarty)
7. Assembly Bill 2697 (Irwin)
8. Assembly Bill 3062 (Bauer-Kahan)
9. Senate Bill 867 (Allen)
10. Senate Bill 937 (Wiener)
11. Senate Bill 1072 (Padilla)
12. Presentation