



[Commission Name]

Item 5
May 24, 2017

[CONSENT OR ACTION]

CALENDAR

[Meeting Date (MM dd, yyyy)]

To: Honorable Mayor and Members of the City Council
From: Berkeley Energy Commission
Submitted by: Ryan Bell, Chairperson, Berkeley Energy Commission
Subject: Urge PG&E Change Billing System to Allow the City to Set Utility User Tax Rates (UUTr) Based on Greenhouse Gas Pollution

RECOMMENDATION

Adopt a Resolution urging Pacific Gas and Electric Company (PG&E) to change its billing system to split utility user tax rates (UUTr) for electric power and natural gas to allow consideration of setting rates based on greenhouse gas pollution.

FISCAL IMPACTS OF RECOMMENDATION

There is no direct financial impact from the UUTr resolution. If PG&E were to allow for the change free of charge, significant staff time would be required to determine the new rates on an annual basis.

CURRENT SITUATION AND ITS EFFECTS

PG&E's billing system does not currently have the capability to tax electricity and natural gas at different rates, and the estimated cost of adding this capability would be approximately \$500,000 - \$800,000. The attached UUTr resolution requests the California Public Utilities Commission (CPUC) require utilities to execute requests to levy different tax rates to reflect greenhouse pollution and urges PG&E to upgrade their billing system to be able to do so without significant cost to municipalities. Additionally, the resolution formalizes the Council's commitment to considering this restructuring if the capability becomes available in the future.

BACKGROUND

Electricity continues to become cleaner due to State Renewable Portfolio Standards that require the use of renewable energy, and the new East Bay Community Energy Community Choice Aggregation program has the potential to further green Berkeley's electricity mix. As electricity becomes cleaner, policymakers are looking for ways to eliminate natural gas usage to further reduce greenhouse pollution from building energy use.

PG&E currently collects Berkeley's UUT on electricity and natural gas at the same rate, that is 7.5% of the dollar charges for natural gas (billed in \$/therm) and electricity (billed in \$/KWh). The UUTr proposes restructuring Berkeley's UUT rates to reflect greenhouse pollution

to further incentivize greenhouse gas reductions. PG&E rates are set by the California Public Utilities Commission and account for the cost to acquire and distribute energy in the form of natural gas fuel, and electricity. The significant social and environmental costs of acquiring and distributing these different forms of energy are not factored in the rates.

ENVIRONMENTAL SUSTAINABILITY

There is no direct impact from the UUTr resolution. If PG&E were to change their billing system and the City implemented a UUTr, it could incentivize greenhouse gas reductions citywide.

RATIONALE FOR RECOMMENDATION

The Energy Commission advises the Council on energy conservation and alternative energy development in Berkeley. Alternative energy is generally meant to include “clean” energy that is not created by the combustion of fossil fuels. A transition to clean energy is a core objective of Berkeley’s Climate Action Plan. Changing of PG&E’s billing system does not commit the City to changing rates based on greenhouse gas pollution, but it provides a mechanism that could be used in the future. By taxing pollution, the City could work toward:

- Aligning Berkeley’s taxes with its greenhouse gas reduction commitment by instituting the correct price signal with regards to GHG pollution from natural gas usage.
- Support transition away from natural gas to cleaner forms of energy such as electricity generated from renewable sources.
- Increase the economic feasibility of building all-electric buildings and transitioning from natural gas-fired equipment to electrically-powered equipment.

ALTERNATIVE ACTIONS CONSIDERED

None.

CITY MANAGER

The City Manager [TYPE ONE] concurs with / takes no position on the content and recommendations of the Commission’s Report. [OR] Refer to the budget process.

Note: If the City Manager does not (a) concur, (b) takes any other position, or (c) refer to the budget process, a council action report must be prepared. Indicate under the CITY MANAGER heading, “See companion report.”

CONTACT PERSON

Billi Romain, Commission Secretary, Department of Planning and Development, (510) 981-7432.

Attachments:
1: Resolution

RESOLUTION NO. ####

A RESOLUTION OF THE BERKELEY CITY COUNCIL URGING PG&E TO ALLOW THE CITY TO SET UTILITY USER TAXES BASED ON GREENHOUSE POLLUTION

WHEREAS, the average surface temperature on Earth has been increasing steadily, with the ten warmest years ever recorded all occurring since 1998; and

WHEREAS, climate scientists overwhelmingly agree that an increase in greenhouse gases in the atmosphere—carbon dioxide (CO₂) in particular—is causing the increase in global temperature; and

WHEREAS, humans burning carbon-based fossil fuels—coal, oil, and natural gas—is the primary cause of the substantial and continuing increase of CO₂ in the atmosphere; and

WHEREAS, in May, 2013, the global atmospheric concentration of CO₂ reached 400 parts per million—the highest level in the last 800,000 years; and

WHEREAS, it's predicted that by 2100 average global temperature will be 2°F to 11.5°F higher than now depending on the level of future greenhouse gas emissions; and

WHEREAS, the Environmental Protection Agency has determined that current and future greenhouse gas concentrations endanger public health, and according to the Global Humanitarian Forum climate change is already responsible every year for some 300,000 deaths, 325 million people seriously affected, and economic losses worldwide of U.S. \$125 billion; and

WHEREAS, climate change caused by global warming-related greenhouse gas emissions including CO₂ already is leading to large-scale problems including ocean acidification and rising sea levels; more frequent, extreme, and damaging weather events such as heat waves, storms, heavy rainfall and flooding, and droughts; more frequent and intense wildfires; disrupted ecosystems affecting biodiversity and food production; and an increase in heat related deaths; and

WHEREAS, scientists have concluded that by 2100 as many as one in 10 species may be on the verge of extinction due to climate change; and

WHEREAS, rising sea levels, reduced snow pack in the Sierras, and extreme weather are issues that are beginning to affect the San Francisco Bay Area; sea level rise in the Bay Area is expected to increase by sixteen inches by 2050 and fifty-five inches by 2100; and miles of shoreline and parks could be underwater, which could result in \$62 billion worth of infrastructure damage in the Bay Area; and

WHEREAS, by mid-century, the City of Berkeley could see three to four times as many extreme heat days as we do today with related increases in hospitalizations and deaths, especially for vulnerable populations such as seniors, young children, and low-income households; and

WHEREAS, in 2006, Berkeley voters approved Measure G setting forth a community greenhouse gas reduction goal of 80% below 2000 levels by 2050; and

WHEREAS, the City of Berkeley has been a leader in the fight against climate change, having adopted a Climate Action Plan in 2009, which aims to reduce the city's carbon emissions to 33% below 2000 baseline emission levels by 2020; and

WHEREAS, the continued increase in global atmospheric CO₂ concentration requires broader, more powerful policies to reduce emissions; and

WHEREAS, as electricity continues to become cleaner with the increase in renewable sources and the implementation of the East Bay Community Energy program, policymakers are looking for ways to eliminate natural gas usage to further reduce greenhouse pollution from building energy use; and

WHEREAS, restructuring Berkeley's utility user tax (UUT) rates to reflect greenhouse pollution could further incentivize greenhouse reductions; and

WHEREAS, Pacific Gas & Electric (PG&E) currently collects Berkeley's UUT on electricity and natural gas at the same rate, and their billing system does not currently have the capability to tax them differently; and

WHEREAS, the updated PG&E billing system will efficiently connect greenhouse emissions to the usage of both natural gas and electricity usage; and

NOW, THEREFORE, BE IT RESOLVED, that the Berkeley City Council hereby urges the PG&E to upgrade its billing system to allow for different UUT rates on electricity and natural gas to reflect greenhouse pollution; and

BE IT FURTHER RESOLVED, that the Berkeley City Council calls upon the California Public Utilities Commission (CPUC) to require utilities to execute requests to levy different tax rates to reflect greenhouse pollution; and

BE IT FURTHER RESOLVED, that the Berkeley City Council commits to considering a restructuring of utility users taxes to reflect greenhouse pollution if this capability becomes available in the future.

JESSE ARREGUIN, MAYOR