



Energy Commission

CONSENT CALENDAR  
July 25, 2017

To: Honorable Mayor and Members of the City Council  
 From: Berkeley Energy Commission  
 Submitted by: Ryan Bell, Chairperson, Berkeley Energy Commission  
 Subject: Resolution requesting that PG&E's Billing System Allow the Utility User Tax (UUT) to Reflect Greenhouse Gas Pollution

RECOMMENDATION

Adopt a Resolution requesting that PG&E's billing system allow Utility User Tax (UUT) rates to reflect greenhouse pollution, to be sent to both PG&E and the California Public Utilities Commission (CPUC) with a request to take action, and committing to considering a restructuring of utility users taxes to reflect greenhouse pollution if this capability becomes available in the future.

FISCAL IMPACTS OF RECOMMENDATION

There is no direct financial impact from the UUT resolution. If PG&E were to enable the change to their billing system, the City could consider restructuring of the UUT. Any changes in UUT rates would need to go to public referendum.

CURRENT SITUATION AND ITS EFFECTS

PG&E's billing system does not currently have the capability to apply the UUT for electricity and natural gas at different rates, and the estimated cost of adding this capability would be approximately \$500,000 - \$800,000. The attached resolution requests that the CPUC require utilities to update their billing systems to execute requests from municipalities, such as this request from Berkeley to levy different tax rates to reflect greenhouse pollution. The resolution also urges PG&E to upgrade its billing system to be able to do so without significant cost to municipalities. Additionally, the resolution formalizes the Council's commitment to considering this UUT rate restructuring if the capability becomes available in the future.

BACKGROUND

According to Berkeley's greenhouse gas inventory, approximately 75% of residential emissions come from natural gas combustion, primarily for space and water heating in the home. Emissions from electricity are decreasing due to increasing renewable sources mandated by State Renewable Portfolio Standards. Additional local clean options will be offered in the future through the new East Bay Community Energy (EBCE) Community Choice Aggregation program. 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 of 7.5% for natural gas (billed in \$/therm) and electricity (billed in \$/KWh). 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. A UUT that reflected greenhouse gas pollution would have a higher rate for gas than for electricity and would serve to further incentivize greenhouse gas reductions.

At its meeting of May 24, 2017, the Commission voted unanimously to send this request to the City Council (Ayes: Bell, Bernhardt, Jiang, Johnston, Leger, Luce, Stromberg, and Weems. Noes: None. Abstain: None. Absent: Jiang).

#### ENVIRONMENTAL SUSTAINABILITY

There is no direct impact from the UUT resolution. If PG&E were to change its billing system and the City implemented a UUT, 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.
- Supporting the transition away from natural gas to cleaner forms of energy such as electricity generated from renewable sources.
- Increasing the economic feasibility of building all-electric buildings and transitioning from natural gas-fired equipment to electrically-powered equipment.

#### ALTERNATIVE ACTIONS CONSIDERED

None

Resolution requesting that PG&E's Billing System Allow the Utility User Tax (UUT) to Reflect Greenhouse Gas Pollution

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CITY MANAGER

The City Manager concurs the content and recommendations of the Commission's Report.

CONTACT PERSON

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

Attachment:  
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 GAS  
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 (CO<sub>2</sub>) 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 CO<sub>2</sub> in the atmosphere; and

**WHEREAS**, in May, 2013, the global atmospheric concentration of CO<sub>2</sub> 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 CO<sub>2</sub> 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 City of Berkeley has successfully reduced greenhouse gas emissions 13% below 2000 levels, Emission levels remain 15% above the current target; and

**WHEREAS**, the continued increase in global atmospheric CO<sub>2</sub> 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.

**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.