BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future.	Rulemaking 21-06-017 (Filed June 24, 2021)

REPLY COMMENTS OF RURAL COUNTY REPRESENTATIVES OF CALIFORNIA TO ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING APPENDIX A

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I. Introduction

Pursuant to Rule 6.2 of the California Public Utilities Commission ("Commission" or "CPUC") Rules of Practice and Procedure, the Rural County Representatives of California (RCRC) submits reply comments to utility responses to Appendix A from the Assigned Commissioner's Amended Scoping Memo and Ruling dated August 11, 2023. RCRC is an association of forty[1] rural California counties, and our Board of Directors is comprised of an elected Supervisor from each of our member counties. RCRC submitted a Motion for Party Status on September 26, 2023 and submits these reply comments in anticipation of the Commission granting that motion.

This proceeding is one of several avenues through which utilities, the Commission, and local governments can evaluate their review and approval processes to expedite project delivery timeframes. As forecasting and distribution planning processes improve through this proceeding, other process improvements and efficiencies are also being considered in R.23-05-018 (Order Instituting Rulemaking

[1] RCRC members include Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Imperial, Inyo, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, San Benito, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo and Yuba counties.

to Update and Amend Commission General Order 131-D). RCRC welcomes opportunities to refine local agency project review processes and urges utilities to do the same with respect to their internal processes.

II. Discussion

RCRC appreciates the Commission's examination of utility electrical distribution forecasting, planning, and project delivery timelines. California's ambitious climate goals rely upon significant increases in energy generation, transmission, and distribution infrastructure to electrify large swaths of the transportation sector and decarbonize buildings, but we cannot afford to focus our infrastructure improvements on decarbonization efforts alone. While system upgrades are vital to meet the state's decarbonization and electrification objectives, many areas of the state have long-standing electrical grid capacity challenges that complicate and stymie basic community development needs.

"Many of our counties have expressed concerns over both energy reliability and the timeframe for connecting new residential, commercial, and industrial development to the grid. It is not uncommon for our counties (or project proponents) to be told it will take anywhere from 2-7 years to improve utility distribution systems to provide additional capacity to support normal growth and facilitate economic development. This is unacceptable. These excessive delays have resulted in lost opportunities for transformative economic development; inhibit local ability to increase desperately needed local housing stocks; frustrate efforts to install electric vehicle charging systems; and will stymie the state's efforts to decarbonize existing residential and commercial buildings. While these problems have gotten worse recently, they are much longer-term issues in many areas and so cannot simply be dismissed as being due to supply-chain interruptions or the state's recent push towards electrification."[2]

RCRC hopes this proceeding will catalyze long-overdue improvements to the distribution forecasting and planning processes, which will help improve project delivery timeframes.

1) __Forecasting And Cost Recovery Are Interlinked__

Accurate demand forecasting is vital to ensure that electrical utilities can meet community needs and ensure that utility budget requests are able to fund the work required. Without better forecasting, distribution plans will fail to match up with actual community growth and the utility will be unable to meet requests for service in a timely manner. As experiences have shown, the forecasted growth in some areas fell far short of actual demand, which has resulted in premature capacity shortages and unreasonable timeframes for system upgrades. As Pacific Gas and Electric (PG&E) noted, the forecasted revenue

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[2] RCRC, Written Comments to California Assembly Utilities and Energy Committee for the May 24, 2023 Hearing on Electrical Distribution Planning, May 23, 2023, page 1.

requirements for distribution capacity in the current General Rate Case "no longer accurately reflects the financial investment needed to serve the capacity of customers."[3] Better forecasting is key to alleviate some of these disconnects and ensure that cost recovery more closely matches actual need.

2) <u>Forecasting Appears To Be A Serious, Systemic Problem That Must Be Addressed</u>

Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E) both indicate that accurate and timely forecasting are significant challenges.[4] On the other hand, PG&E seems less concerned about improving forecasting processes and distribution planning and would rather secure more funding for its work.[5] RCRC strongly supports efforts to improve forecasting and distribution planning to ensure that projected growth more closely reflects real world conditions.

The California Energy Commission (CEC) forecasts have information gaps that are inconsistently addressed by electrical utilities and the information in those forecasts quickly becomes stale. Failure to supplement these information gaps and mitigate their impact creates an imbalance with respect to actual demand. SDG&E notes that relying on the CEC forecast leads to underestimates because that information is out of date by the time it is used for distribution planning.[6] SCE and SDGE both advocate for updates to the CEC Integrated Energy Policy Report (IEPR) forecast to ensure the work better aligns with the state's overarching policy goals and better captures areas that are not currently included in the report.[7] SCE has noted elsewhere in this proceeding that the CEC forecast "does not account for all types of load growth" and points to gaps related to commercial electric vehicle charging, cannabis cultivation, etc.[8] To address these data gaps, SCE appears to have a robust disaggregation methodology that incorporates "specific local-area knowledge" resulting from close coordination with developers and regular discussions with local governments.[9] These "phantom" sectors that are not anticipated in the CEC's forecast appear to have been particularly problematic for PG&E. When questioned about the lack of available distribution

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[3] R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, page 2.

[4] See R.21-06-017, *Southern California Edison Company's (U 338-E) Supplemental Responses and Comments to Assigned Commissioner's Amended Scoping Memo and Ruling, Appendix A*, September 13, 2023, pages 7-8, 10.

[5] R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, page 10.

[6] *R.21-06-017, San Diego Gas & Electric Company's (U 902-E) Response to Assigned Commissioner's Amended Scoping Memo and Ruling – Questions for Supplemental Utility Response, September 13, 2023*, page 6.

[7] *Id.*; R.21-06-017, *Southern California Edison Company's (U 338-E) Supplemental Responses and Comments to Assigned Commissioner's Amended Scoping Memo and Ruling, Appendix A*, September 13, 2023, page 12.

[8] *R.21-06-017, Motion of Southern California Edison Company (U 338-E) to Accept Amended Narrative and Joint Prioritization Workbook Associated with 2023 Grid Needs Assessment and Distribution Deferral Opportunity Report, September 15, 2023*, pages 13 and 16.

[9] Id., pages 13 and 39.

capacity in some areas, PG&E noted that unanticipated cannabis cultivation facilities took up a large proportion of what should have been available. Where it appears that SCE has been able to mitigate challenges like these through closer coordination with developers and local governments, PG&E does not appear to take those inputs into account when developing forecasts. Given the significant state and local discussion about cannabis cultivation, this was readily foreseeable. Instead of integrating information from developers and local governments, PG&E appears to rely upon load service applications, economic and demographic information from Moody's, weather data, and state annual water allocation percentages.[10] None of these sources are likely to fill the CEC's data gaps. While it makes sense to infer future demand growth from previous application for service history, it is unclear how or whether this information is adjusted to account for the large percentage of project applications that fall out of the queue and do not result in a completed project.[11] Overreliance or overadjustment of that data may skew forecasts.

In light of these considerations, RCRC disagrees with PG&E's assertion that improvements to the planning process will not solve for shortages in funding to meet distribution capacity needs.[12] This is an oversimplification, as changes to PG&E's forecasting methodology and distribution planning to address these data gaps will ensure that requested funding levels more closely track actual demand, as well as benchmark more closely with the other large IOUs. This will also protect against these "unanticipated" (by CEC) loads eroding the local capacity available to serve projects related to community growth and state climate policy goals. RCRC is supportive of Assembly Bill 50 (Wood), currently awaiting action on the Governor's desk, as its requirements to increase utility coordination and information sharing with local governments, planning directors, and economic development officials are likely to improve the accuracy of projected demand and enhance the ability timely provide electrical service.

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[10] R.21-06-017, *2023 Grid Needs Assessment and 2023 Distribution Deferral Opportunity Report of Pacific Gas and Electric Company (U 39 E) Public Version*, August 15, 2023, page 7.

[11] It is not clear whether PG&E adjusts anticipated demand from applications downward to account for the number of applications that are abandoned. PG&E has informed the CEC that roughly 63% of project applications fall out of the queue and do not result in a completed project. The inference is that there are too many "speculative" projects in the utility's review process that unnecessarily delay action on other projects. Under the current process, project developers cannot learn how long it will take to get power for their project unless they submit applications to the utility. The common answer that it will take 2-4 years to provide electricity to a project is understandably unworkable for many developers. As such, project developers who abandon their applications after being given unrealistic energization/interconnection timeframes may make up a significant portion of that statistic. PG&E has previously mentioned that it is working with developers to refine the application process to address some of these challenges; however, it is not clear what changes those discussions have brought about.

[12] R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, pages 3 and 10.

3) Cost Recovery Should Be Available To Facilitate Local Growth And Achievement of Climate Goals

RCRC appreciates that utilities are committed to serving the needs of local communities and achieving the state's electrification goals.[13] In light of challenges created by the existing forecasting and distribution planning models, there needs to be increased flexibility to ensure that system capacity improvements can be carried out even when they exceed projected demand.

PG&E notes that it spent well above its General Rate Case (GRC) adopted revenue requirements for distribution line capacity projects between 2020 and 2022; however, it also spent 55% and 65% of authorized amounts for those purposes in 2018 and 2019, respectively.[14] Since PG&E only spent 108% of the allocated amount on distribution line capacity projects over that five year period, it appears that some of the spending over the last three years was to make up for overdue/delayed investments from previous years. We acknowledge that utilities may have to occasionally reprioritize spending during a given year and that the 2018 and 2019 allocations appear to have been redirected to reduce wildfire risk. That being said, there have been previous instances where utilities have repurposed important safety related funding on other programs – with serious consequences. We are very concerned that future allocations intended to remedy the significant backlog in distribution capacity projects will similarly be redirected to other utility-driven "priorities" and thereby compound the systemic problems many communities are having in ensuring that electrical infrastructure can keep up with local needs. While we support providing flexibility to ensure that utilities can accommodate growth and achieve the state's climate goals, it is important to ensure that future funding allocations and processes are carefully monitored to ensure that funds are used for their intended purposes.

4) PG&E's Integrated Grid Planning Approach May Show Promise

RCRC appreciates the need to take a holistic approach to system improvements to maximize efficiency and avoid having to rework and rebuild the same infrastructure multiple times for different purposes. For these reasons, PG&E's Integrated Grid Planning approach to "bundle work for multiple benefits and address the holistic needs of a circuit" is intriguing and RCRC would like to learn more about how it will work.[15] Better project coordination could also reduce impacts and costs to the community

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[13] See R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, page 3.

[14] *Id*., pages 2 and 11.

[15] R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, pages 1 and 6.

resulting from multiple projects. It would be helpful to learn if this approach results in expediting some projects that would otherwise have been delayed on a particular circuit or if capacity projects will be delayed until other work (like undergrounding) is performed on that circuit. Similarly, local governments would be interested in coordinating local and utility infrastructure projects to avoid unnecessary costs and maintenance requirements resulting from disjointed and uncoordinated work schedules.

III. Next Steps

A. Examine Opportunities For Improving Project Delivery Timelines

The time is ripe for utilities, the Commission, and local governments to collaboratively identify opportunities to improve their respective processes to expedite the project review and delivery timeframes. We appreciate the opportunity this proceeding provides to refine the utility electrical forecasting and distribution planning processes and acknowledge that R.23-05-018[16] presents opportunities to refine the Commission's processes for review and approval of transmission and distribution projects. We urge utilities to similarly consider whether any changes to their internal project review timeframes can expedite project delivery. While some utilities are already undertaking these efforts,[17] determining the outcomes and impact on timelines is crucial.

Utilities have indicated that small system upgrades (increasing cable/conductor size or modification of underground conduit systems) can take 1-3 years while medium system upgrades (new distribution feeders or increasing in substation capacity) can take 4-7 years. Large upgrades including construction of new substations can take even longer.[18] For projects above 50kv, utilities indicate that the Commission's licensing process (including environmental review) can have "a substantial impact on timelines."[19] SCE also observes that environmental requirements related to the National Environmental Protection Act (NEPA) and the California Environmental Protection Act (CEQA) can take one to two years to complete.[20]

RCRC appreciates the complexity of these undertakings, but these timeframes are simply unacceptable. These timeframes have been shown to stifle economic development opportunities,

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[16] *Order Instituting Rulemaking to Update and Amend Commission General Order 131-D*.

[17] R.21-06-017, *Southern California Edison Company's (U 338-E) Supplemental Responses and Comments to Assigned Commissioner's Amended Scoping Memo and Ruling, Appendix A*, September 13, 2023, page 8; R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, page 5.

[18] See R.21-06-017, *Southern California Edison Company's (U 338-E) Supplemental Responses and Comments to Assigned Commissioner's Amended Scoping Memo and Ruling, Appendix A*, September 13, 2023, page 5.

[19] *Id*., page 6.

[20] *Id*., page 11.

especially in those parts of the state where even modest projects would have a truly transformative impact on the health, prosperity, and well-being of communities and their residents.

Some of these long timeframes are the result of internal utility project identification, design, and review processes while others are due to Commission review and approval. Utilities and state regulators must create more nimble planning and construction processes to ensure that emerging local and statewide needs can be met in a timely manner (faster than 2-5 years) and reduce capacity backlogs.

Where CEQA and NEPA are concerned, utilities and the Commission must participate in discussions about how those laws can be improved to minimize the time, costs, and litigation risks while preserving their core objectives to disclose and mitigate significant impacts on the environment.

Both SCE and PG&E note that some local governments are facing challenges regarding their capacity to handle the flow of applications coming through their permitting departments.[21] PG&E highlights that Americans with Disabilities Act curb ramp permits that can take 8-12 months for review in San Francisco. We note that local permitting authority is significantly constrained by the Commission's General Oder 131-D preemption; however, local permitting, coordination, and consultation are vital to protect public health and safety and mitigate the disruptive (and potentially debilitating) impact utility projects may have on communities. RCRC welcomes future opportunities to work with the large IOUs to discuss challenges in particular jurisdictions and identify avenues to resolve them.

Finally, we appreciate that PG&E indicated it will "continue to support increased interagency and local government coordination to look at accelerating permitting timelines and streamlining permitting requirements *for infrastructure that will enable electrification*" (emphasis added)[22]; however, **PG&E must not limit these efforts to electrification projects only.** RCRC appreciates the need to significantly scale up deployment of transportation electrification projects; however, improvements are even more sorely needed to rapidly address existing capacity gaps that constrain normal economic and population growth. We cannot afford to focus all off our efforts on electrification and continue to let our communities stagnate as a result.

B. <u>Implement Principles Contained In Legislation Under Consideration By The Governor</u>

Finally, we note that Assembly Bill 50 (Wood) and Senate Bill 410 (Becker) are currently on Governor Newsom's desk and await his consideration.

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[21] Id., page 11; R.21-06-017, Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E), September 13, 2023, page 18.

[22] R.21-06-017, *Responses to Amended Scoping Memo Appendix A by Pacific Gas and Electric Company (U 39 E)*, September 13, 2023, page 18.

AB 50 makes several interrelated changes to expedite the timely delivery of service by regulated electrical utilities. Most relevant to this proceeding, AB 50 also seeks to improve forecasting and distribution planning by requiring utilities to refine those processes by working more collaboratively with local governments. This will ensure that the projected demand more closely matches the actual demand for service. Local governments and economic development officials can provide valuable input on projected development trends, where those projects are anticipated to occur, and anticipated planning horizons. As previously noted, failure to undertake these basic consultations has resulted in utility distribution plans that miss actual demand by a wide margin, leading to multi-year delays in service connection that result in economic stagnation. Finally, AB 50 also requires utilities to share more information with local governments about where distribution capacity exists or could be easily added to help meet local housing and economic development objectives. Having this information will enable local governments to develop better, more refined housing and economic development plans that avoid directing development into areas where service is unlikely to be available in the foreseeable future.

Similarly, SB 410 requires utilities to consider state and local housing, economic development, critical facilities, transportation, and building electrification plans in their annual distribution planning processes. It also requires utilities to project loads that exceed forecasts provided by the CEC.

The common-sense incremental improvements contained in AB 50 and SB 410 result from many of the conversations and workshops conducted in this and other proceedings and will help improve forecasting and distribution planning to ensure that California's electrical grid can support future demand.

IV. Conclusion

RCRC appreciates your consideration of our comments and the recommendations contained herein. RCRC looks forward to working with the Commission, utilities, and local governments to improve the distribution planning and construction processes to reduce the timeframes required for successful project delivery.

Respectfully submitted,

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