



March 9, 2022

The Honorable Bob Wieckowski
Chair, Senate Budget & Fiscal Review Subcommittee
No. 2 on Resources, Environmental Protection & Energy
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Richard Bloom
Chair, Assembly Budget Subcommittee
No. 3 on Climate Crisis, Resources,
Energy & Transportation
1021 O Street, Suite 8230
Sacramento, CA 95814

RE: Energy Infrastructure Investments and Trailer Bill Proposal

Dear Senator Wieckowski and Assembly Member Bloom:

On behalf of the Rural County Representatives of California (RCRC), we are pleased to offer comments and suggestions on the proposed Energy Infrastructure Investments and trailer bill. RCRC is an association of thirty-eight rural California counties and the RCRC Board of Directors is comprised of elected supervisors from each of those member counties.

RCRC is supportive of a thoughtful, balanced investment in energy infrastructure that improves overall system integrity, increases local energy reliability, reduces wildfire risk, and mitigates quickly escalating energy rates. All of these can be achieved in a manner that facilitates the state's clean energy and climate change goals.

Our member counties – many of whom have median household incomes far below the statewide average - are very sensitive to rising energy prices. Local governments and residents—both taxpayers and ratepayers—have experienced great financial hardships in attempting to recover from catastrophic wildfire events, implementing home hardening measures, maintaining defensible space as well as suffering economic and

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health-related fallout from frequent power outages. At the same time, we understand the pressing need to focus significant investments on improving grid reliability and safety in light of our recent experiences with utility-caused wildfires and continued emphasis on electrifying our transportation sector.

RCRC is very sensitive to sharply declining electrical reliability in rural areas. RCRC member counties have experienced most of the state's Public Safety Power Shutoff (PSPS) events. While planned, PSPS events often leave customers without power for several days at a time. More recently, our member counties have been heavily impacted by debilitatingly frequent unplanned outages caused by the initial deployment of PG&E's Enhanced Powerline Safety Settings (EPSS) Program – most of which lasted 8 hours or more and were extremely disruptive for residents, businesses, and community service. Finally, power was interrupted for multiple weeks in some of our more remote mountain communities due to strong weather events and snow in December 2021. As the state moves to electrify the transportation sector, it is vital that we also improve electrical reliability in all parts of the state.

The Newsom Administration has proposed a sweeping \$2 billion (over two years) investment in a large variety of energy projects, ranging from building decarbonization to pumped storage to offshore wind to green hydrogen. **While we largely applaud many of these investments, RCRC believes several additional investments should be included to significantly improve local energy reliability, reduce utility-caused wildfires, and help mitigate near-term utility rate increases.**

Given the massive budget surplus, the time is ripe to invest in energy infrastructure improvements that will yield benefits for decades to come. Furthermore, given rapidly rising inflation and utility rates, the time is right for the state to use some of the General Fund surplus to offset utility bill increases that are otherwise borne by ratepayers. In particular, RCRC suggests:

- Adding \$3.5 billion (General Fund) to offset rate increases related to utility wildfire mitigation plan projects.
- Adding \$250 million (General Fund) to support smaller long duration pumped storage, geothermal, and biomass projects that provide critical local resiliency benefits.
- Adding \$200 million (General Fund) to deploy remote grids in rural areas to ensure local energy reliability and reduce wildfire risk.
- Adding funding to provide a state match for federal Infrastructure Investment and Jobs Act energy pots.

Offset Utility Rate Increases with \$3.5 Billion General Fund Expenditure on Wildfire Mitigation. Utility rates are rapidly climbing throughout the state, with a 9% rate increase taking effect in PG&E service territory on March 1st and an even larger rate increase anticipated in the coming years. RCRC acknowledges that many of those cost increases are related to (long overdue) wildfire mitigation work, which itself helps the state avoid even greater future costs associated with emergency response and rebuilding. PG&E

alone expects to spend \$5.9 billion on wildfire mitigation in 2022 (\$3.1 billion related to grid design and hardening and \$2 billion on vegetation management). Southern California Edison plans on spending over \$1.6 billion on wildfire mitigation activities in 2022.

Stakeholders to the California Public Utilities Commission's Affordability proceeding (R. 18-07-006) have advocated shifting some ratepayer funded programs (including wildfire mitigation work) to the General Fund. While RCRC acknowledges that the General Fund may not be a stable source of long-term funding to offset utility wildfire risk reduction work, using the current budget surplus to safeguard utility infrastructure could help avoid some of the steep near-term rate increases associated with those activities. For this reason, RCRC urges the Legislature to devote \$3.5 billion of the budget surplus to utility wildfire mitigation activities to reduce the impact of these increases on all ratepayers.

Promote Local Energy Resiliency by Investing \$250 Million on Small Long Duration Pumped Storage, Geothermal, and Biomass Projects. While the Administration's clean energy plan contemplates a variety of funding programs to help decarbonize existing buildings and promote innovative long duration storage projects that improve grid reliability, it lacks major investment in critical local energy storage projects.

Many rural communities have been hit hard by outages related to PSPS and EPSS events and from extreme weather. Many types of smaller projects under 50MW could provide local energy reliability and improve overall grid resiliency, including pumped storage projects, geothermal, and biomass. A handful of smaller pumped storage projects under consideration in Lake County would help avoid the frequent power outages those communities face during extreme weather events while also providing a backup water supply to help fight the wildfires they frequently face. These smaller projects often avoid the environmental impacts related to the much larger projects that have drawn significant opposition. Similarly, newer generations of biomass projects have far lower emissions than older facilities and are often key to helping the state improve forest health and reduce wildfire risk.

We note that the Administration's trailer bill excludes pumped storage from the new long-duration storage pot of funding. While this makes sense if the pot is solely focused on emerging technologies, we caution against the state making this pot so restrictive when just a little bit of investment could bring some of these smaller pumped storage projects from the drawing board to reality.

Creating a modest pot of funding to help build these local energy projects could be transformative, especially those projects being pursued as part of public private partnerships. For this reason, RCRC suggests investing \$250 million (General Fund) on smaller long-duration pumped storage, geothermal, and biomass projects.

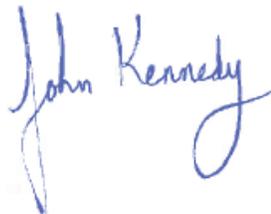
Increase Local Energy Reliability and Reduce Wildfire Risk by Investing \$200 Million in Remote Grids in Rural Areas. RCRC appreciates the state's interest in

deploying microgrids to improve local energy resiliency. We note that utilities are working to develop remote grids in some rural communities at the end of long distribution lines often running through high fire risk areas. Building remote grids to serve those communities with standalone clean energy, storage, and backup power could reduce wildfire risk and avoid the need for costlier infrastructure upgrades to serve those communities. We urge an investment of \$200 million to help deploy these remote grids that will help improve local energy reliability, relieve pressure on the grid, and reduce overall wildfire risk.

Establish a Fund to Meet State Matching Fund Requirements for Federal Infrastructure Investment and Jobs Act (IIJA) Projects. The bipartisan IIJA makes significant investment in grid reliability and clean energy deployment, a backbone to meet state and federal air quality and climate change goals. We agree with the Legislative Analyst that several of these pots will require a state match to draw down federal funds and so encourage the state to work now to craft complimentary state programs and ensure that state matching funds are available to leverage those federal programs.

Please contact us if you have any questions or concerns regarding our recommendations.

Sincerely,



JOHN KENNEDY
Policy Advocate

cc: The Honorable Nancy Skinner, Chair, Senate Budget & Fiscal Review Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
Members of the Senate Budget & Fiscal Review Committee
Members of the Assembly Budget Committee
Kip Lipper, Chief Policy Advisor, Senate President Pro Tempore Toni Atkins
Anita Lee, Consultant, Senate Budget & Fiscal Review Committee
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