# LITTLE HOOVER COMMISSION: HEARING ON ELECTRICITY COSTS

JOHN KENNEDY &
LEIGH KAMMERICH
*RCRC GOVERNMENT AFFAIRS*

# ABOUT RCRC


RCRC's 40 counties are home to 1 in 7 Californians and over half of California's 160,000+mi$^2$

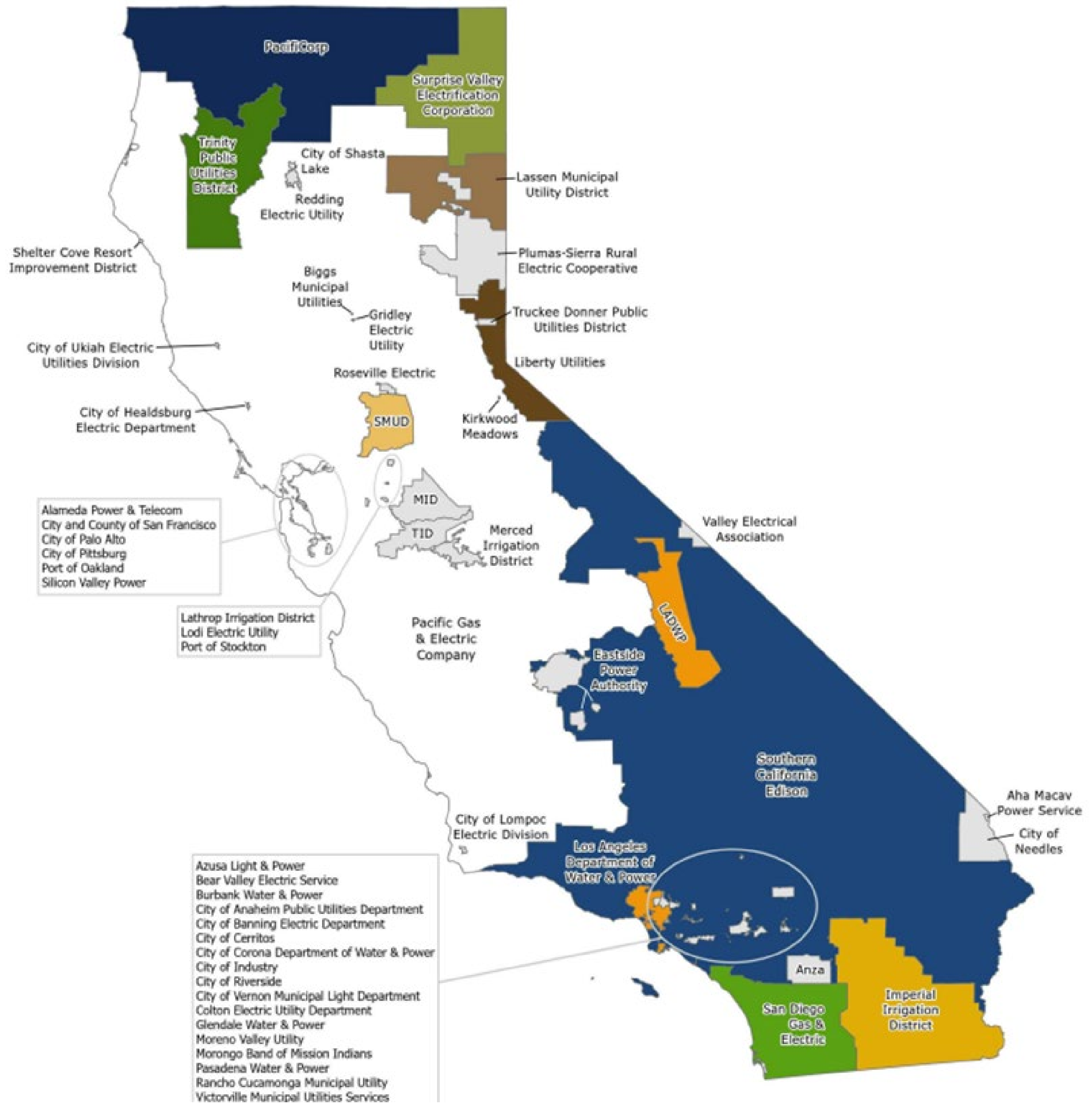
Rural communities are resource rich, the foundation of California's food and fiber economy, and recreational destinations

Rural communities typically have lower population densities, lower median incomes, and significantly higher fire risks

# ELECTRIC UTILITY SERVICE AREAS

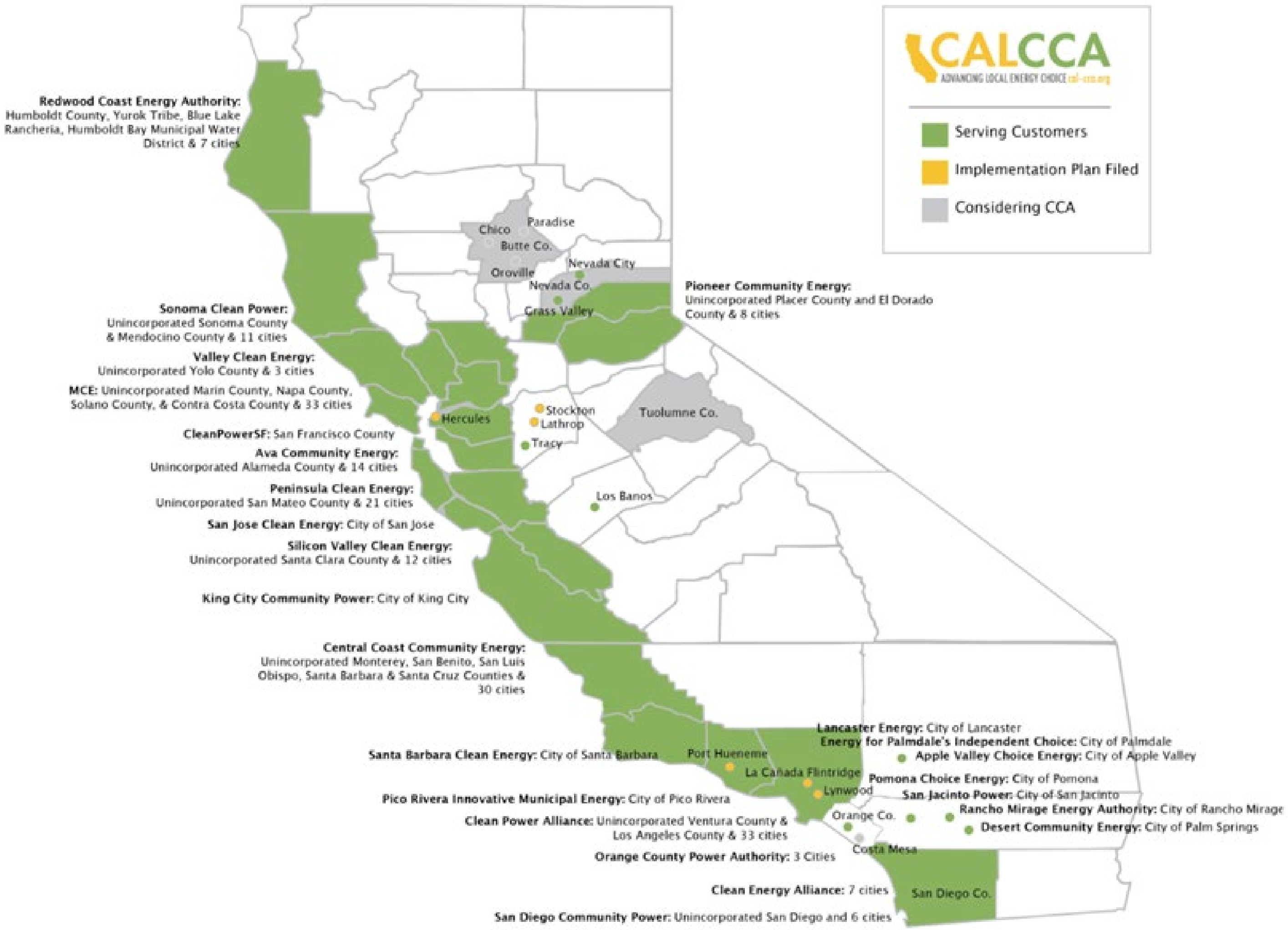
Rural counties served by a wide variety of:

- Investor-owned utilities
- Publicly owned utilities
- Special districts
- Electrical cooperatives




*Source: California Energy Commission*

# TWO DOZEN LOCAL COMMUNITY CHOICE AGGREGATORS OFFER RESIDENTS OPTIONS FOR ELECTRICITY PROVIDERS



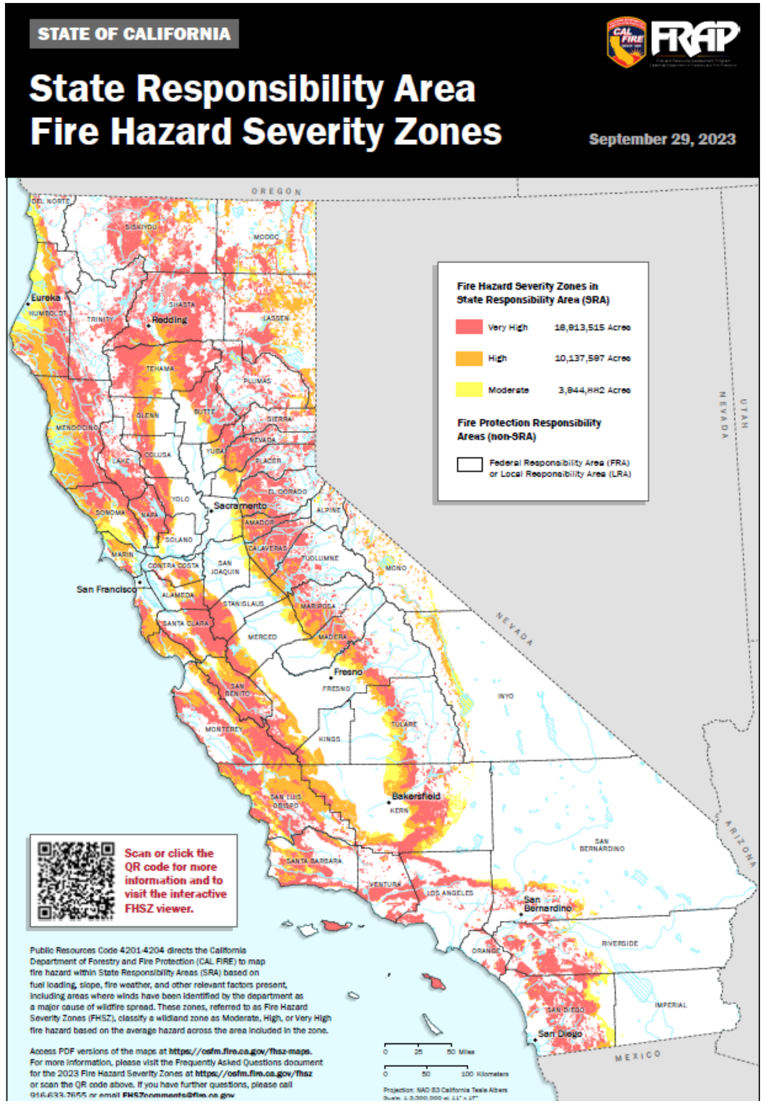
# OVERVIEW

- Affordability Challenges in Rural Areas
- Energy Challenges in Rural Areas
- Electricity Cost Breakdown
- Executive Order N-5-24 Recommendations and Considerations
- Hidden Cost Pressures
- Suggestions for the Future

# AFFORDABILITY CHALLENGES IN RURAL AREAS

- Impacts to Rural Residents and Businesses
  - Often low- and/or fixed-income households can ill-afford price increases, backup generators, or utility cost-shedding
  - Lower-income Central Valley communities often need to use much more energy to cool homes than more affluent coastal communities
  - Unincorporated residents without access to a centralized water system rely on groundwater pumping, which requires more energy usage.
  - Electricity bills approach or exceed lease payments for small businesses in some parts of the state
- Impacts to County Operations
  - Counties operate various critical facilities with strict operational requirements and cannot easily reduce energy usage without compromising essential services
- Impacts to Economic Development
  - Energy price differentials and capacity constraints chill economic development in many rural areas when neighboring jurisdictions/service providers have lower rates/greater capacity

# ENERGY CHALLENGES IN RURAL AREAS: WILDFIRE RISK AND MITIGATION




- Wildfire expenditures are a rapidly growing portion of utility bills, but vital for public safety and grid reliability
- Expenditures include vegetation management, system hardening, undergrounding, covered conductor deployment, biomass procurement programs (BioMAT, BioRAM), etc.
- Some wildfire costs provide broader statewide benefits and could be shifted to other funding sources
  - Stable funding for biomass, including fuel management and wood haul are vital to decrease fuel loads that pose safety risks and exacerbate future fires
  - Cannot simply tap into *existing* GGRF wildfire expenditures that are focused on broader community safety

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# ENERGY CHALLENGES IN RURAL AREAS: ELECTRIFICATION, ENERGY RELIABILITY, AND RESILIENCY

- As California seeks to decarbonize, many Californians experience repeated, long duration power outages
  - Outages impact public safety and effective emergency response, interrupt basic community functions (traffic signals, communication networks, etc.), pose serious risks to medically vulnerable residents, and disrupt schools and learning
- Utilities have turned to deenergization to guard against wildfire ignitions
- Planned Public Safety Power Shutoff (PSPS) events give way to Fast Trip Outages
- 2,820 PG&E multi-hour EPSS outages in 2025 impacting 917,000 unique customers
  - Templeton 2113 lost power 33 times in 2025 – six other circuits had more than 21 outages in 2025
  - Several circuits lost power more than 7 times/month
- System hardening will be costly, but is vital to improve grid reliability and resiliency

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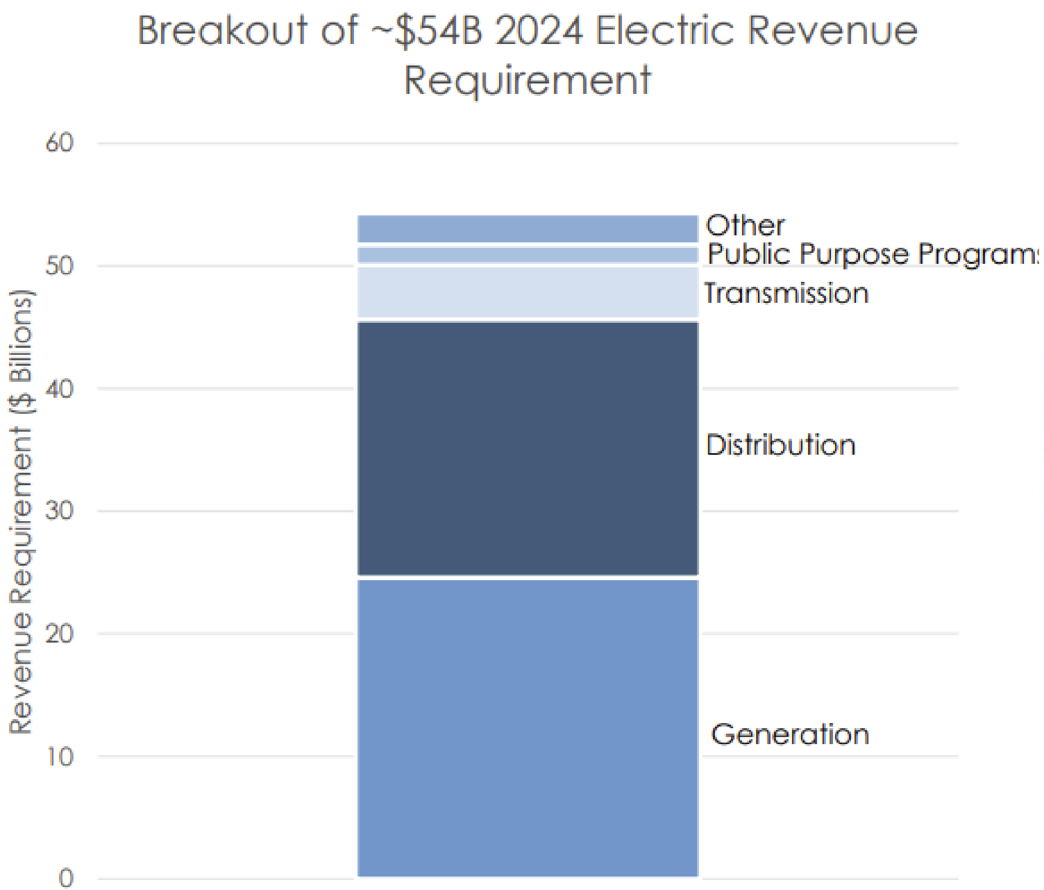
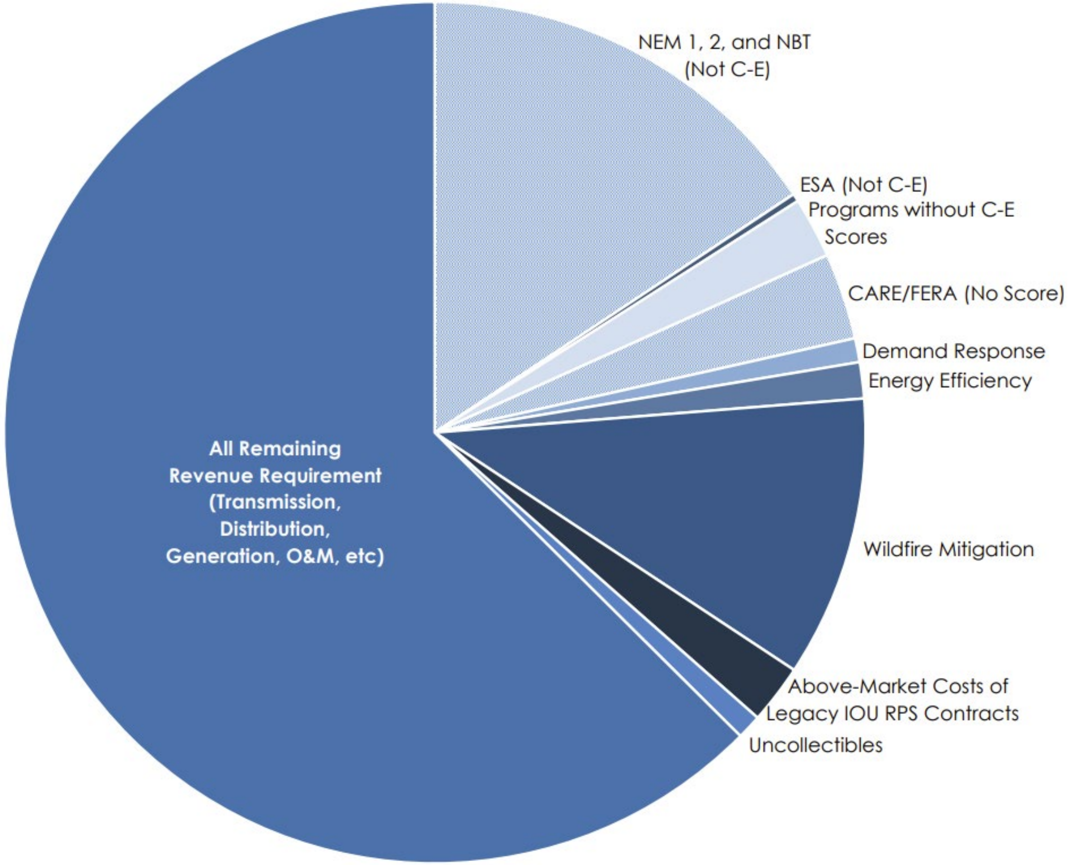
# ENERGY CHALLENGES IN RURAL AREAS: CAPACITY CONSTRAINTS

- Grid capacity challenges and connection delays impact housing, critical facilities, economic development, and electrification ambitions
  - Decades long issue in many rural areas that stymies growth and opportunity
- Prioritizing vehicle and building electrification may push long-overdue rural investments further back in the queue
- Recent improvements to energy demand forecasting, but funding and labor availability will be determinative

# ELECTRICITY COST BREAKDOWN




*Source: CPUC Response to Executive Order N-5-24, February 18, 2025*

# EXECUTIVE ORDER N-5-24 RECOMMENDATIONS

- Fund Net Energy Metering (NEM) I & II cost shift from other sources OR reduce compensation
- Fund CARE/FERA discounts from stable non-ratepayer sources
- Public purpose programs that benefit all ratepayers should be paid for by all Californians
- Fund new cost-shifting programs from non-ratepayer sources
- Consider reprioritizing transportation electrification spending by focusing on critical grid investments and pausing $1 billion in new ratepayer charges
- Approve lower-cost wildfire risk mitigation methods
- Identify requirements to procure non-cost-competitive generation resources and decouple costs from rates
- Identify underutilized programs

# EXECUTIVE ORDER N-5-24:
# CALLIFORNIA CLIMATE CREDIT

## Existing System:

- Proceeds from the sale of utility allowances sold in the AB 32 Cap and Trade program used to pay a biannual credit to residential and small business customers of IOUs
  - $1.39 billion in revenues for 2025 will result in $120/customer credit (two $60 credits)
- Munis can use funds as non-Proposition 26 revenues to fund low-income assistance programs

## Scenarios Under Consideration

- CPUC evaluated alternative scenarios for allocation of California Climate Credit:
  - All 11.6 million customers (status quo) - $120/year
  - 3.1 million CARE/FERA customers - $454/year
  - 9.9 million non-solar customers - $142/year

# EXECUTIVE ORDER N-5-24: KEY CONSIDERATIONS

- **CPUC proposals have a significant risk of INCREASING energy costs for many customers in the interest of energy affordability**
  - Proposals to modify the NEM 1.0/2.0 and California Climate Credit are zero sum situations
  - Reducing the benefit to one customer class could have significant price increases for all other customers
  - AB 205 fixed monthly charge resulted in savings for some customers and increased bills for others
- NEM Revisions – CPUC Identified $8.5 billion in cost shifts under the NEM 1.0 and NEM 2.0 programs established by the Legislature and CPUC
  - Modification of those programs will <u>INCREASE</u> solar customer bills potentially hundreds of dollars a year
- California Climate Credit
  - Limiting the California Climate Credit to non-solar customers will <u>*increase energy costs*</u> for 2 million customers at least $120/year
  - Limiting the California Climate Credit to CARE/FERA customers will <u>*increase energy costs*</u> $120/year for 8.5 million customers

# HIDDEN (LESS VISIBLE) COST PRESSURES

- SB 247 (Dodd, Chapter 406, Statutes of 2019), among other things, requires all electrical line clearance tree trimmers to paid prevailing wage
  - No estimates offered by the author or Legislature on how much this change will cost. Utility spending on vegetation management is collectively in the high hundreds of millions of dollars annually
- SB 247 significantly increased utility VM labor costs:
  - SCE - ***175%*** increase in contract rates for VM[1]
  - Bear Valley Electric Service – ***82% average increase in hourly rates*** for VM between 2019 and 2020[2]
  - PG&E – SB 247 added $127.24/tree to contract costs of $203.66/tree – a ***62% increase***[3]

*1 - SCE – Advice Letter 44881-E, October 26, 2022, pages 2, 5, and Appendix B – Declaration of Melanie Jocelyn, SCE's Principal Manager of Vegetation Management*

*2- Bear Valley – Advice Letter 481-E, January 8, 2024, pages 1-2*

*3 - PG&E – A.21-09-008 – Decision Approving Partial Recovery of Pacific Gas and Electric Company's Costs for 2020 Electric Distribution Vegetation Management Work, pages 30 and 33.*

# SUGGESTIONS FOR THE FUTURE

- First – DO NO HARM
  - Avoid increasing energy prices for one class of customers in pursuit of affordability for another
- Conduct thorough root cause analysis of factors impacting costs (and identifying savings) for energy generation, transmission, and distribution
  - State has made baby steps to reduce costs and delays in permitting, environmental review, and construction costs- more work is vital
- Take a hard look at whether ratepayers can afford (or have capacity to achieve) California's rapid electrification plans
- Shift public purpose programs from ratepayers to a STABLE statewide funding source
  - Many programs are vital, including CARE/FERA, biomass procurement, and those related to wildfire risk reduction
- Expand eligibility for programs like Low-Income Weatherization in high-heat areas

RCRC
1215 K St., Suite 1650
Sacramento, CA 95814
(916) 447-4806

Thank you!

Questions?

jkennedy@rcrcnet.org
lkammerich@rcrcnet.org