FILED
04/23/21
04:59 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2020. (U 39 M)	Application 18-12-009 (Filed December 13, 2018)

OPPOSITION OF THE COALITION OF CALIFORNIA UTILITY EMPLOYEES TO THE UTILITY REFORM NETWORK'S PETITION FOR MODIFICATION OF DECISION 20-12-005 TO REQUIRE PACIFIC GAS AND ELECTRIC COMPANY TO PRESENT AN INFLATION-CONSTRAINED ALTERNATIVE PROPOSAL IN ITS UPCOMING GENERAL RATE CASE

April 23, 2021

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Pursuant to Rule 16.4(f) of the Commission's Rules of Practice and Procedure, the Coalition of California Utility Employees (CUE) submits this response opposing TURN's March 24, 2021 Petition for Modification of Decision (D.) 20-12-005 to Require PG&E to Present an Inflation-Constrained Alternative Proposal in its Upcoming General Rate Case (GRC).

I. INTRODUCTION

TURN wants the Commission to require PG&E to include in its next GRC an alternative forecast tied to inflation. TURN is, rightfully, concerned about increasing utility bills. But TURN's proposal to arbitrarily cap PG&E's spending at the rate of inflation is not the solution to California's energy affordability problems. As TURN is aware, the Commission's recent white paper[1] and *en banc* on energy

[1] *Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1*, February 2021.

rates and costs identified that electricity bills will increase, in large part, because of wildfire prevention work mandated by law and cost shifts from net energy metering and other distributed energy resources incentives. TURN's focus on limiting utility spending based on inflation is misplaced and would result in less safe and less reliable electricity and gas service. TURN's petition for modification should be denied.

II. PG&E'S WILDFIRE PREVENTION WORK CANNOT BE CAPPED AT INFLATION

TURN's proposal to cap PG&E's forecast at inflation would prevent PG&E from including necessary wildfire prevention work in its forecast. As a result, PG&E must not complete critical wildfire prevention work or do the work but not recover the costs. This is a lose-lose and promises to prolong the threat of catastrophic wildfires, as well as prevent PG&E from limiting the geographic scope and duration of public safety power shutoffs. TURN's petition should be denied.

Twelve of the twenty most destructive wildfires in California's history have occurred since 2017. The deadliest and most destructive wildfire in California's history burned in 2018.[2] These wildfires caused unimaginable loss of life, property damage, public health impacts, environmental degradation, damage to local economies and damage to the electric distribution system. Climate change will continue to cause increasingly severe and more frequent wildfires. Cal Fire reported that:

[2] https://www.fire.ca.gov/media/11417/top20_destruction.pdf.

> [c]limate change, an epidemic of dead and dying trees, and the proliferation of new homes in the wildland urban interface (WUI) magnify the threat and place substantially more people and property at risk than in preceding decades. More than 25 million acres in California wildlands are classified as under very high or extreme fire threat, extending that risk over half the state.[3]

In 2018, to avoid more catastrophic impacts from wildfires, the legislature convened the Wildfire Preparedness and Response Conference Committee, resulting in SB 901 (Dodd). That bill mandated that the Commission ensure that electric utilities' systems "achieve the ***highest*** level of safety, reliability and resiliency."[4] The bill obligated the Commission to carry out the plain language and policy of SB 901 by (1) requiring utilities to do the work necessary to reduce the risk of wildfires and make electric systems more resilient and resistant to damage from wildfires, and (2) holding the utilities accountable for getting the work done. The governor and legislature knew when they enacted SB 901 that fire prevention activities could not wait and a large cost that prevents even one wildfire is less than the cost inflicted by a wildfire.

SB 901 required each electric utility to submit a wildfire mitigation plan for the Commission's review, potential modification and approval. Section 8386 of the Public Utilities Code implements the wildfire mitigation plan requirements and details the elements that must be included in the plans, including, for example, hardening and modernizing infrastructure with improved engineering, system design, standards, equipment and facilities, such as undergrounding, insulation of

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[3] Community Wildfire Prevention & Mitigation Report in Response to Executive Order N-05-019, California Department of Forestry and Fire Protection, February 22, 2019, p. 2.
[4] Pub. Utilities Code § 8386(c)(12) (emphasis added).

wires and pole replacement, plans for disabling reclosers and deenergizing portions of the distribution system, and plans for vegetation management. In short, SB 901 mandated that the Commission require electric utilities to do all the necessary work to reduce the risk of wildfires and make the electrical system more resilient. To fund wildfire prevention work, SB 901 required the Commission to consider the cost of implementing a wildfire mitigation plan in a utility's general rate case.[5]

In 2019, after the next round of wildfires, California's governor and legislature enacted extraordinary legislation to further support California in this era of perennial wildfire risk, stating that "[t]he increased risk of catastrophic wildfire poses an immediate threat to communities and properties throughout the state."[6] AB 1054 (Holden) was signed into law as an urgency measure to protect wildfire victims, ratepayers, workers and the financial viability of California's IOUs. AB 1054, among other things, created incentives for investor owned utilities to improve safety and mitigate ongoing wildfire-related risks. AB 1054 also required shareholders of the three largest IOUs to collectively pay $5 billion for system hardening.[7] In enacting AB 1054, the legislature declared that utilities must "invest in hardening of the state's electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfires."[8]

Importantly, the SB 901 and AB 1054 statutory scheme requires that utilities' systems achieve the highest level of safety, reliability and resiliency while

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[5] Pub. Utilities Code § 8386.4(b)(1).
[6] AB 1054 § 1(a)(1).
[7] Pub. Utilities Code § 8386.3(e).
[8] AB 1054 § 2(b).

protecting customers. This is because, under these laws, a utility is prohibited from spending money authorized to implement its wildfire mitigation plan on activities outside of its approved plan.[9] In addition, if a utility does not substantially comply with the work required in its plan to reduce the risk of wildfires caused by their equipment and to make their equipment more resilient, it must be penalized.[10] The legislature enacted these laws with strong accountability requirements to require the Commission and electric utilities to take meaningful action and achieve results.

Given SB 901 and AB 1054, TURN's request for an alternative PG&E forecast limited by inflation is not a serious proposal. Arbitrarily limiting PG&E's forecast is inconsistent with the plain language and policy of both SB 901 and AB 1054, would undermine PG&E's efforts to prevent wildfires and would threaten California and Californians. TURN's petition should be denied.

III. TURN'S PROPOSED SOLUTION TO CALIFORNIA'S ENERGY AFFORDABILITY PROBLEM MISSES THE MARK; EFFORTS WOULD BE BETTER SPENT ON ELIMINATING NET ENERGY METERING

Net energy metering is a catastrophe. NEM customers receive large economic incentives to install rooftop solar and, according to the Commission's white paper, over time, "save more money on their electric bills than they pay for their generation facilities."[11] This payback comes at the expense of non-NEM customers who could have paid 1/6 the price for utility scale solar.

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[9] Pub. Utilities Code § 8386.3(d).
[10] Pub. Utilities Code § 8386.1.
[11] *Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1*, February 2021, p. 27.

NEM customers sell power into the grid at the full retail rate (even though the value of renewable generation is far less) and they also avoid paying their share of the cost of distribution and transmission service. This creates a revenue shortfall that, in turn, leads to extra costs imposed on non-NEM customers since utilities must recover the costs of grid service. In short, the NEM subsidy shifts costs from NEM customer to non-NEM customers. This subsidy to the rooftop solar industry has grown to $3 billion in 2021. This means that in 2021, customers without rooftop solar are each spending more than $200 every year to subsidize those with rooftop solar. The subsidy is projected to grow to more than $4.5 billion by 2030, or more than $300 per customer per year. This cost shift disproportionately impacts low-income customers.[12]

Eliminating the NEM subsidy is now even more urgent. On January 1, 2020, the California Energy Commission state building standards went into effect to require most new houses and multi-unit dwellings to install rooftop solar. It is estimated that this will result in 200 MW of additional rooftop solar per year. Subsidies for rooftop solar are not justified when installation is mandatory.

TURN's request for an alternative PG&E forecast limited by inflation is misplaced. To address the State's energy affordability crisis, TURN's and the Commission's efforts are better spent on eliminating NEM – not on limiting utilities' safety and reliability work. TURN's petition should be denied.

[12] *Id.*, p. 28.

IV. CONCLUSION

Requiring PG&E to include in its next GRC an alternative forecast tied to inflation will not help with the energy affordability crisis and will result in less safe and less reliable service. TURN's petition for modification should be denied.

Dated: April 23, 2021

Respectfully submitted,

/s/

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