

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

Order Instituting Rulemaking to Update and
Amend Commission General Order 131-D.

Rulemaking 23-05-018
Filed May 18, 2023

**CLEAN COALITION COMMENTS ON ORDER INSTITUTING
RULEMAKING**

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June 22, 2023

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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and procedure of the California Public Utilities Commission (“the Commission”), the Clean Coalition respectfully submits these comments in response to the *Order Instituting Rulemaking* (“OIR”) *to Update and Amend Commission General Order 131-D*, issued at the Commission on May 18, 2023. The Clean Coalition believes that the ideal ratio of energy is around 25% local energy (originating on the distribution grid) and 75% coming from utility-scale resources. As a result, we understand the need to site new transmission projects, but we caution against doing so at the expense of the ratepayer given the existing affordability crisis of electric rates. Ratepayers shoulder the burden of the entirety of transmission costs, not just capital costs, which is part of the reason that transmission costs are the leading driver of rate increases.

- The Clean Coalition advocates that any proposed project be required to conduct a thorough benefit cost analysis on the full lifetime costs of the transmission asset that would be shouldered by the ratepayers.
- In addition, we urge the Commission to require an analysis of whether deploying a distributed solution would be more cost effective.

II. DESCRIPTION OF PARTY

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners,

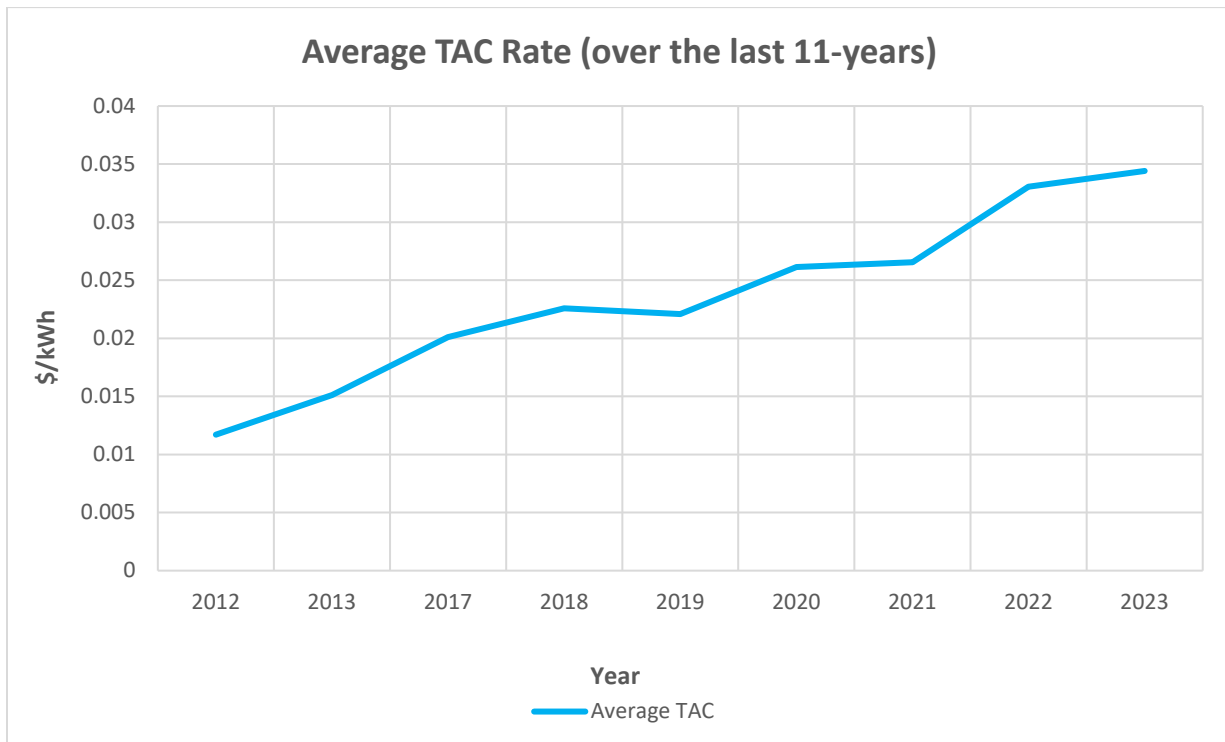
and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

A. Response to Questions

4. *Should the Commission consider any other modifications to GO 131-D in addition to the proposed amendments reflected in the appendices?*

The Clean Coalition believes that it is imperative to consider the financial implications of each and every proposed transmission project. Electric rates are skyrocketing, and transmission-related spending is the number one driver of the rapid increase, due to capital expenditures, operations and maintenance (“O&M”) costs, a high return on equity (“ROE”), and wildfire/grid hardening costs. The burden of these costs is entirely shouldered by the ratepayers and so simply piling the receipts for more and more transmission projects threatens a future where rate increases continue to far outpace inflation. Consider the graph below, which shows the average Transmission Access Charge (“TAC”) rate amongst the three investor-owned utilities (“IOUs”) over the last 11 years.¹



¹ TAC cover the cost of existing and past expenditures in transmission infrastructure.

As the trend clearly shows, TAC are rising at an unprecedented rate, more than tripling over the last decade. With the \$30 billion over 20 years² that CAISO proposed will be necessary to achieve full electrification and the \$9.3 billion proposed in the Transmission Planning Process (“TPP”) earlier this year,³ ratepayers will be forced to shoulder a hefty price tag, much more than the initial sticker price. The capital costs of transmission only represent a fraction of the total cost; O&M and ROE drive up costs significantly over the lifetime of the assets, which can last for 30-50 years.

Nominal costs		Real costs, discounted for inflation	
Asset value capital cost (\$100 base)	\$100	Discount rate	2.19%
Return	\$197	Asset value capital cost (\$100 base)	\$100
O&M	\$631	Return, discounted	\$140
Total nominal ratepayer cost per \$100 investment (50 years)	\$928	O&M, discounted	\$296
		Total discounted (real) ratepayer cost per \$100 investment (50 years)	\$536

In nominal dollars, total lifetime ratepayer cost is nearly 10x the initial capital cost; O&M accounts for 68% of this because it increases much faster than inflation. In real dollars (constant value dollars, accounting for inflation), the total lifetime cost is 5x the initial capital cost, and O&M accounts for 55% of this.

As the image above shows, the real cost of transmission borne by the ratepayers is ten times the initial capital cost, in nominal dollars. Therefore, the \$30 billion proposed by CAISO could end up costing Californians around \$300 billion.

The Clean Coalition strongly believes that proposed projects should be required to consider the full life-time costs of a transmission project as part of the determination of whether a project is necessary and will benefit the ratepayers. Moreover, part of the benefit cost analysis should analyze whether a DER solution might be more cost effective and appropriate to meet local load growth. Finally, each benefit cost analysis should consider the precise impact on rates, if possible.

B. Categorization

² <http://www.aiso.com/about/Pages/Blog/Posts/Thinking-more-pro-actively-about-the-grids-long-term-needs-Our-first-ever-20-Year-Transmission-Outlook.aspx>

³ <https://www.utilitydive.com/news/CAISO-california-grid-operator-draft-transmission-plan/646983/>

Clean Coalition believes that the categorization of quasi-legislative is appropriate.

C. Evidentiary Hearings

At this time, the Clean Coalition has not yet made a determination on whether evidentiary hearings will be needed. We reserve the right to respond to other parties in reply comments.

D. Schedule

The Clean Coalition understands the need for expediency, and we are not opposed to the proposed schedule.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to comment on the OIR and we urge the Commission to ensure that a reasonable benefit cost analysis is conducted for each potential transmission project. Given the lifespan of transmission assets and already high electric rates, the ratepayers cannot afford to shoulder the cost burden of an unnecessary/ineffective transmission project.

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