BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure.	**Rulemaking 23-12-008** **(Filed December 20, 2023)**

REPLY COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON THE ORDER INSTITUTING RULEMAKING REGARDING TRANSPORTATION ELECTRIFICATION AND CLOSING RULEMAKING 18-12-006

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Pursuant to Rule 6.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the directive in the *Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure* (OIR) issued December 20, 2023, the California Large Energy Consumers Association (CLECA)[1] submits these reply comments on preliminary matters relating to the scope, schedule, and administration of this proceeding.

I. INTRODUCTION

A recurrent theme running through the opening comments filed by parties in this proceeding is concern about the impact transportation electrification funding decisions have on affordability for ratepayers. A group of small investor owned utilities banded together to

[1] CLECA member companies produce goods essential for daily life, including critical infrastructure, oxygen for hospitals, and food distribution. CLECA members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electric demand is about 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need.

provide comments on the disproportionate rate impact felt by their customers when transportation electrification programs are funded with ratepayer dollars.[2] The Utility Reform Network (TURN) noted the "death by a 10,000 cuts" ratepayers have experienced over the last decade or so, and argued that "[f]urther increases in electric rates are contrary to the climate goals of vehicle and building electrification and must be minimized to the greatest extent possible."[3] CalAdvocates, concerned about the substantial sums of ratepayer dollars already authorized for transportation electrification, urged the Commission to reevaluate its approach of funding behind-the-meter costs with ratepayer dollars.[4] The Utility Consumers' Action Network (UCAN) urged the Commission to develop policies in this proceeding without overburdening ratepayers.[5]

CLECA's opening comments, driven by the ongoing and deepening rate affordability crisis, noted the substantial and sustained rate increases experienced by investor owned utility (IOU) customers over the last decade. CLECA recommended that the Commission add a new category of "Ratepayer Affordability" to the scope of issues for this proceeding, so that the Commission can consider ratepayer affordability holistically rather than in the context of two

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[2] *Joint Comments of Bear Valley Electric Service, Inc. (U 913 E), Liberty Utilities (CalPeco Electric) LLC (U 933 E), and PacificCorp (U 901 E) on the Order Instituting Rulemaking*, January 19, 2024 (CASMU Comments) at p. 3.

[3] *Comments of The Utility Reform Network on the Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure*, January 19, 2024, (TURN Comments) at pp. 1-2.

[4] *Comments of the Public Advocates Office on the Preliminary Scoping Memo of the Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure*, January 19, 2024, (CalAdvocates Comments) at p. 7.

[5] *Opening Comments of the Utility Consumers' Action Network (UCAN) to Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure*, January 19, 2024, (UCAN Comments) at p. 2.

specific policy proposals in the OIR.[6] Similarly, the Center for Accessible Technology (CAT) recommended adding "Affordability" as a dedicated issue within the scope of the proceeding, because of the risk that further rate increases "support[ing] transportation electrification, may end up being counterproductive…" toward achieving the State's electric vehicle goals. [7] The OIR itself recognized that the Commission "faces issues regarding how the IOUs will ***effectively and affordably*** support the pace and scale of transportation electrification growth required to achieve California's zero-emission vehicle goals."[8] CLECA strongly supports party comments putting ratepayer affordability front and center in this proceeding.

II. REPLY COMMENTS

A. EV Charging Rate-Design Should Occur in Utility-Specific Applications and Reflect Electric Rate Design and Demand Flexibility Design Principles Adopted in D.23-04-040

In their opening comments, several parties urged the Commission to address EV-specific rates through this proceeding. For example, the opening comments for Audi of America, General Motors, and the Alliance for Automotive Innovation (collectively, Joint Automakers) emphasized:

> the need to quickly deploy a broad array of option mass-market EV rates and managed charging programs, to aggressively market them to the broadest

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[6] *Opening Comments of the California Large Energy Consumers Association on the Order to Institute Rulemaking Regarding Transportation Electrification Policy and Infrastructure and Closing Rulemaking 18-12-006*, January 19, 2024, (CLECA Comments) at pp. 8-9.
[7] *Center for Accessible Technology's Opening Comments on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure*, January 19, 2024 (CAT Comments) at pp. 3-5.
[8] OIR at p. 7 (emphasis added).

> possible customer base, and to expand the means for EV drivers to participate in them.[9]

Similarly, PG&E described EV rate offerings as:

> a key facet to PG&E's VGI strategy, and a regulatory mechanism is needed to ensure their continued availability and refinement. Therefore PG&E recommends that this proceeding scope discussions on the appropriate processes and venue to support the review of new and existing EV rates.[10]

While EV rate offerings will play an important role in incentivizing consumer behavior, it is important to be mindful in this proceeding that each IOU has different delivery system designs and cost structures. EV rate offerings should be tailored to the specific IOU in a manner consistent with marginal cost principles of rate design. Actual rate design should occur in utility-specific applications that take into account such factors.

Rather than set EV-specific rates through this proceeding, this proceeding should be focused on establishing a framework that sends undistorted price signals to consumers to shift their usage patterns. That framework should largely reflect the Commission's updated electric rate design principles and newly introduced demand flexibility design principles in the Advanced Demand Flexibility proceeding (R.23-04-040). In particular, those rates should be based on marginal cost and cost causation.[11] Furthermore, on the demand flexibility side,

[9] *Opening Comments of the Alliance for Automotive Innovation, General Motors, and Audi of America on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure,* January 19, 2024 (Joint Automakers Comments) at p. 12.
[10] *Comments of Pacific Gas and Electric Company (U 39-E) on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure and Closing Rulemaking 18-12-006,* January 19, 2024 (PG&E Comments) at p. 9.
[11] D.23-04-040 at p. 2.

dynamic prices should "accurately incorporate the marginal costs of energy, capacity, distribution capacity, and transmission capacity based on grid conditions."[12] Importantly, to make sure those price signals come through loud and clear, "Customers (including low-income customers and those who receive a medical baseline or discount) should have access to tools and mechanisms that enable them to plan and schedule their energy use while managing the monthly variability of their bills."[13] This proceeding, to the extent it tackles rates, should be focused on a "roadmap" for the future of dynamic pricing and demand flexibility programs,[14] rather than setting EV-specific rates.

B. This Proceeding Should Seek to Avoid Imposing Further Transportation Electrification Costs on Ratepayers

As noted by several parties in their opening comments, the Commission has already authorized significant sums of ratepayer dollars to be spent on transportation electrification.[15] Cumulatively, the Commission has authorized nearly $2.8 billion of ratepayer dollars for transportation electrification expenses, very little of which has actually been spent to date.[16] In light of this massive authorization, which will eventually be incorporated into rates, the Commission should look to how this proceeding can help put downward pressure on rates while also not authorizing the use of additional ratepayer dollars.

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[12] *Ibid*.
[13] *Ibid*.
[14] *Opening Comments of Ford Motor Company to Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure,* January 19, 2024 (Ford Comments) at p. 8.
[15] TURN Comments at pp. 1-3; See also, UCAN Comments at p. 2.
[16] CLECA Comments at p. 7.

Automated load management software and hardware is touted by several parties to present a real value proposition to lower rates. PowerFlex, for example, represents that widespread implementation of automated load management could potentially halve the cost of grid upgrades anticipated to be necessary through 2035.[17] Rather than adversely impact ratepayers, Advanced Energy United argues that the Commission should consider alternative cost-recovery methods and financing options for such.[18] CLECA agrees that these are ideas that should be explored through this proceeding.

Some parties, such as Weave Grid, Inc., Southern California Edison, and Tesla, seem to dismiss the costs of transportation electrification being passed on to ratepayers. Instead, they argue that efforts taken to foster transportation electrification will eventually reduce rates because fixed system costs will be spread out over a larger volume of sales.[19] The problem with the logic, however, is that it ignores near- and mid-term pain that will inevitably be felt by ratepayers. California IOUs are in the midst of an ongoing and deepening affordability crisis. There is no end in sight to substantial rate increases requested by the IOUs. Additional ratepayer funding of transportation electrification will only exacerbate the affordability crisis

[17] *PowerFlex Inc. Opening Comments on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure and Closing Rulemaking 18-12-006,* January 19, 2024 (PowerFlex Comments) at p. 2.

[18] *Opening Comments of Advanced Energy United on the Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure,* January 19, 2024 (Advanced Energy Comments) at p. 3.

[19] See *Opening Comments of Weave Grid, Inc. on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure and Closing Rulemaking 18-12-006,* January 19, 2024 (Weave Grid Comments) at p. 5; See also, *Opening Comments of Southern California Edison Company (U 338-E) on the Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure and Closing Rulemaking 18-12-006,* January 19, 2024 (SCE Comments) at p. 3, and *Joint EV Industry Parties Opening Comments on Order Instituting Rulemaking Regarding Transportation Electrification Policy and Infrastructure,* January 19, 2024 (Joint EV Comments) at p. 3.

with the vague promise that someday, down the road, these expenses may put downward pressure on rates as fixed costs are spread over a larger volume of sales.

C. CLECA Supports CalAdvocates' Position on Reevaluating the Use of Ratepayer Funds for Behind-The-Meter Transportation Electrification Expenses

In light of this affordability crisis, and with the certainty of near- and mid-term rate impacts stemming from transportation electrification decisions, CLECA agrees with CalAdvocates that the Commission should reevaluate its decision in D.22-11-040 to authorize the use of ratepayer funding to cover the costs of behind-the-meter transportation electrification infrastructure.[20] Private parties have been heavily incentivized through the Inflation Reduction Act and other programs to build transportation electrification projects, even without ratepayer funds covering the cost of behind-the-meter infrastructure. It is time to let those programs work as intended, and help partially offset some of the burden that has been placed on ratepayers.

III. CONCLUSION

CLECA appreciates the opportunity to provide these reply comments.

Respectfully submitted,
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[20] CalAdvocates Comments at p. 6.