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AECA Comments on 2024 Draft IEPR Update

Additional submitted attachment is included below.

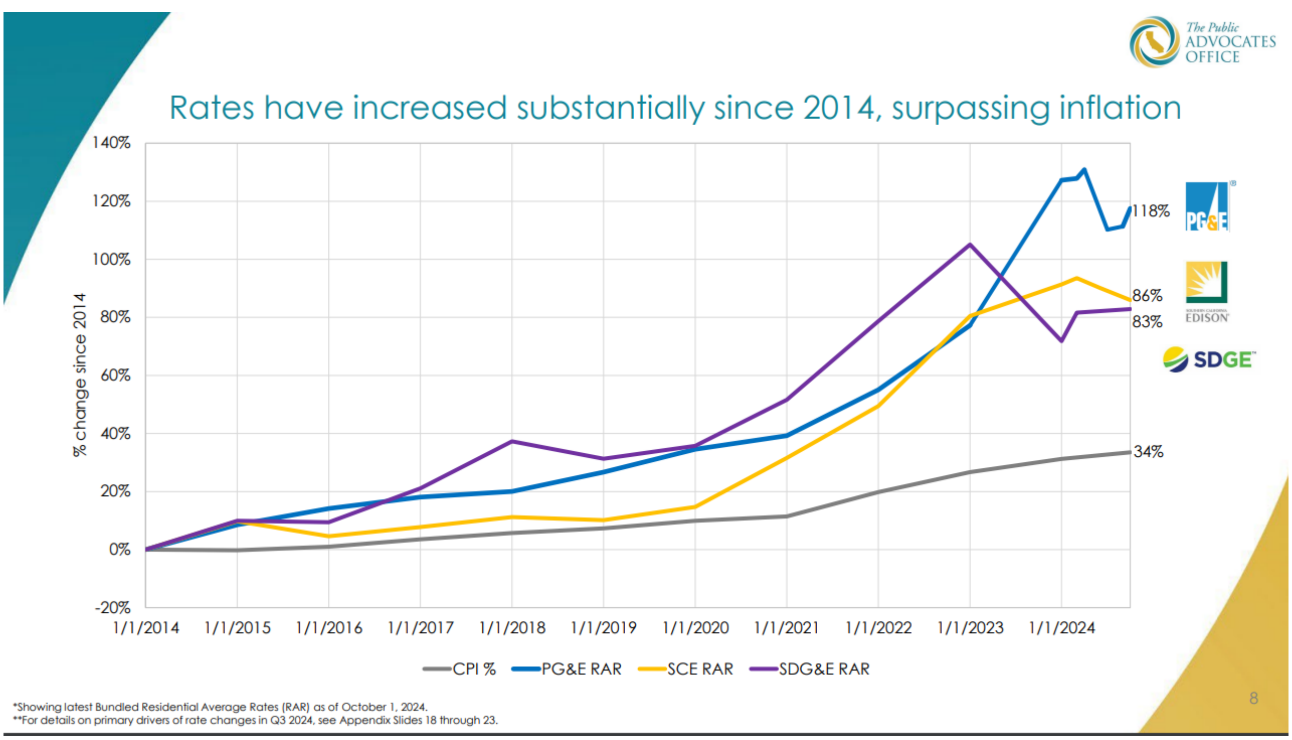
January 2, 2025

California Energy Commission
Docket: 2024-IEPR-001
715 P Street
Sacramento, CA 95814 *Submitted Electronically*

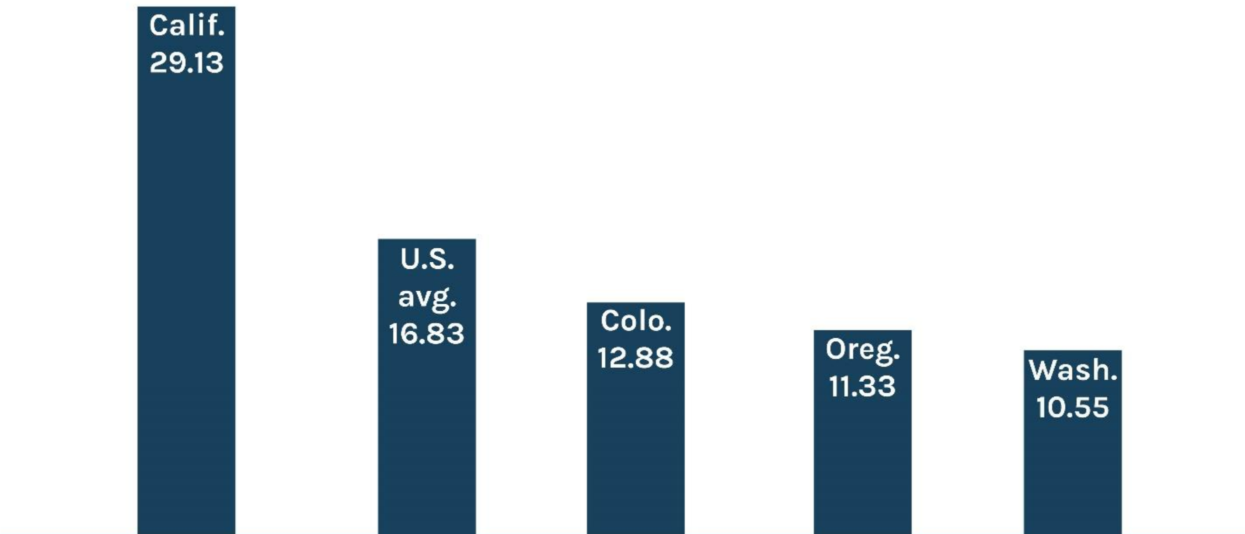
RE: Draft 2024 Integrated Energy Policy Report Update

The Agricultural Energy Consumers Association (AECA) appreciates the opportunity to comment on the Proposed 2024 Integrated Energy Policy Report (IEPR). AECA has been participating in California Energy Commission (CEC) and California Public Utilities Commission (CPUC) proceedings for over 30 years and represents the collective interests of the state's leading agricultural organizations, agricultural water agencies and irrigation districts, food and fiber processing facilities and major farming and ranching operations.

First and foremost, AECA remains concerned about rapidly escalating energy costs in the state. As the chart below documents, electricity costs have been rising far faster than inflation over the past decade due, in large part, to California's aggressive climate and renewable energy policies.



As shown above, electricity rates have risen more than 115 percent in the last decade alone and more than 50 percent in just the last three years. Although already unsustainable, rates are expected to continue to escalate and put agricultural and food production ratepayers at a competitive disadvantage in national and global marketplaces. As shown below, California's rates are, on average, approximately double the national average and as much as triple the rates in other western states exacerbating the competitiveness issue. It should be also noted that IOU rates are far higher than the average rated reflected and are far more than double the national average of 16.83 cents/kwh.



Average Business Price of Electricity - Cents per Kilowatthour: https://www.energybot.com/electricity-rates/

As bad as the current situation is, AECA recognizes the state will need to continue to add historic amounts of clean energy resources to meet the state's electrification goals, including transportation, residential, commercial and industrial decarbonization. These goals will add hundreds of billions of dollars to the rate base of the state's investor-owned utilities (IOUs). To begin with, consider the following:

- Rate increases above inflation are expected to continue and rise for the foreseeable future. All three major IOUs in California have pending General Rate Case applications with proposed or approved rate increases averaging 10 percent or more annually, with wildfire mitigation as a major driver.
- Grid investments to support increased electrification are estimated to add more than $40 billion through 2040. AECA believes these estimates grossly underestimate actual costs over the next two decades.
- CPUC approved wildfire mitigation costs, including PG&E's bloated and expensive undergrounding program, will add at least $9 billion in statewide costs in 2025 alone and billions more over the next decade. According to the CPUC's SB 695 report, "Wildfire costs are now a significant portion of the utilities' total revenue. At year-end 2023, wildfire-related

costs made up 18 percent of PG&E’s total revenue requirement, 12 percent of SCE’s total revenue requirement, and 9 percent of SDG&E's total revenue requirement.”[1]

- California plans to add historic amounts of clean energy for the bulk power system, including expensive offshore wind resources and battery-energy storage systems to balance the state’s overdependence on intermittent solar energy production.
- The California Independent System Operator’s (CAISO) 2024 20-year Transmission Outlook anticipates transmission costs between $45.8 billion to $63.8 billion over the next two decades, with offshore wind development as the primary driver of these projected costs.

In light of these massive electricity cost drivers, AECA questions the CEC’s forecast that rates will only rise a few cents per KWH over the short-term before leveling out over the longer-term horizon. Agricultural, water pumping and food and fiber processing and production electrical costs have escalated far faster than inflation over the past decade and AECA analysis does not see any evidence that these rate impacts will subside. AECA strongly encourages the CEC to do a deeper dive on energy cost forecasting for all customers, including agricultural ratepayers. AECA also encourages the CEC and other state policymakers and regulators to adopt more balanced approaches to meet the state’s renewable energy and climate goals that recognize unsustainable energy rate increases are detrimental to the state’s farm, business and residential ratepayers. California is facing an affordability crisis of epic proportions that will jeopardize the state’s economy if not addressed in the short-term.

Sincerely,

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[1] 2024 SB 695 Report, page 7