Conversation Around the Local Government Kitchen Table: Addressing Affordability in a Changing Landscape

California Climate & Energy Collaborative
7/9/25

Cory Downs
Conservation Specialist
Office of Sustainability

CITY OF CHULA VISTA

What are you seeing?

Use Whova app to answer our introduction question

What barriers to building and transportation electrification are you seeing right now?

- Permitting or interconnection
- Product availability
- High electricity rates
- User Interest
- Workforce
- Upfront costs

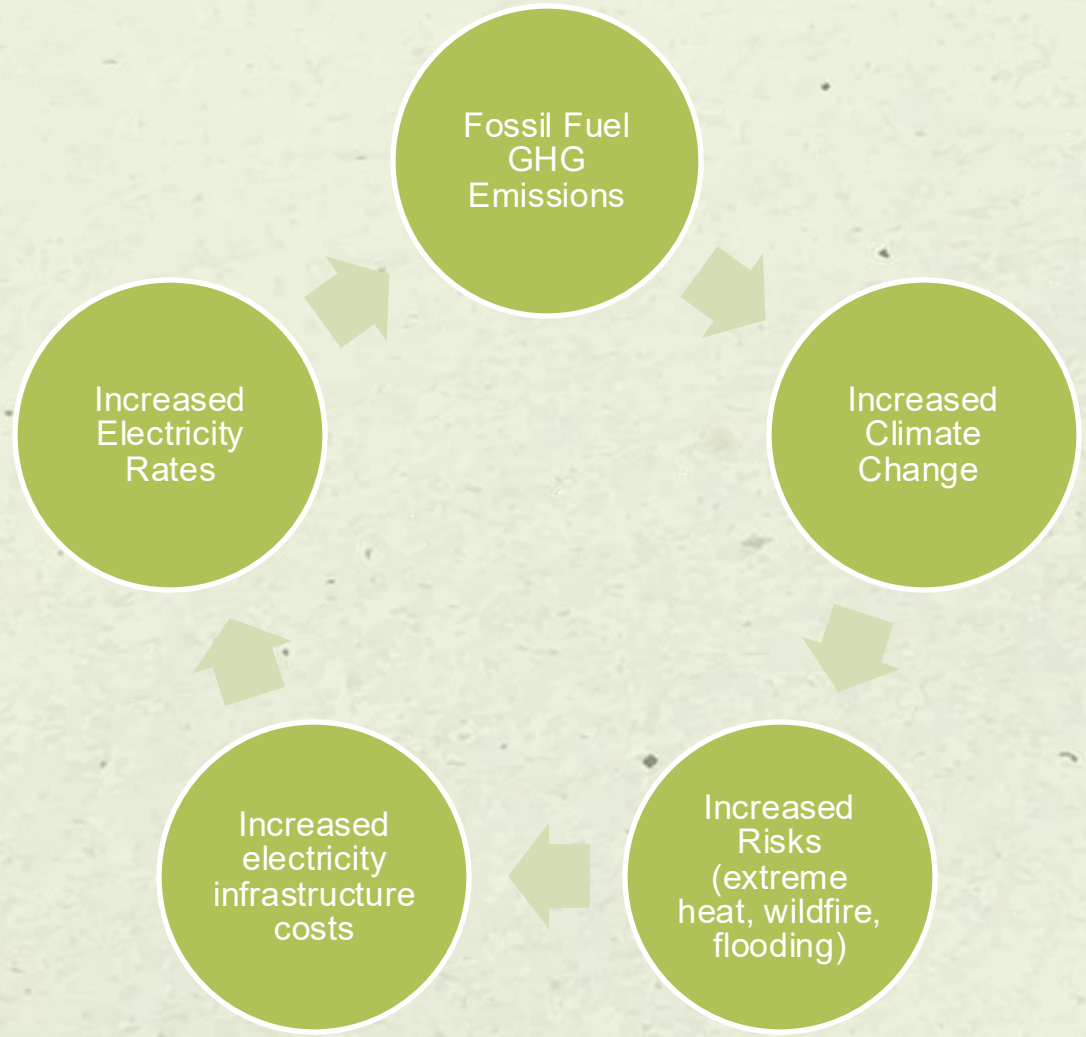
Speakers

Partner, MCubed

Sustainability Manager,
City of San Luis Obispo

Senior Policy Manager, San Diego Regional Energy Network (SDREN)

Climate Change Hides Fuel Cost Shift



Local Government Action

Regulatory engagements

- **R. 24-05-023**: Safety, Reliability, and Resiliency of Electrical Distribution Systems
- **R.24-01-018**: Establishing Energization Timelines
- **R. 23-12-008**: Transportation Electrification Policy and Infrastructure
- **R. 22-11-013**: Distributed Energy Resource Program Cost-Effectiveness, Data Access and Use, and Equipment Performance Standards
- **R. 21-06-017**: Modernize the Electric Grid for a High Distributed Energy Resources Future
- **R. 19-09-009**: Microgrids
- **R. 12-11-005**: California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues
- Proposed an electrification rate in the **Clean Financing proceeding**

Coalition building and networking

Webinars, newsletters and member education

- Energy efficiency and distributed generation provide direct savings

Scan for LGSEC regulatory proceedings

Scan to join LGSEC

What are you seeing?

Share results

<u>What barriers to building and transportation electrification are you seeing right now?</u>

- Permitting or interconnection
- Product availability
- High electricity rates
- User Interest
- Workforce
- Upfront costs

LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION

Contact us: contact@lgsec.org

Climate and Energy Forum

Steven Moss

Why Do California's Investor-Owned Utilities (IOUs) Have Such High Electricity Rates?

Utility costs have been escalating for decades.

Wildfire mitigation costs are a recent, modest, but fast-growing part of the story.

Utility profits are driven by increasing investment.

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Utility “Rates” Are Distant Cousins to Market-Based Prices

Total Utility Expenditures + Profits ($)

÷

Total Sales (kilo-Watt/hour)

=

Rate ($/kWh)

- Rates are backwards looking, dividing historic utility spending incurred or proposed by anticipated sales.
- There is (should be) a direct relationship between costs and sales. If sales stay flat or decline, costs should follow.
- Utility spending is not audited on the regular; significant approved utility spending is ”black box”.
- Rates are set by the California Public Utility Commission (CPUC) and Federal Energy Regulatory Commission for different parts of the utility system.

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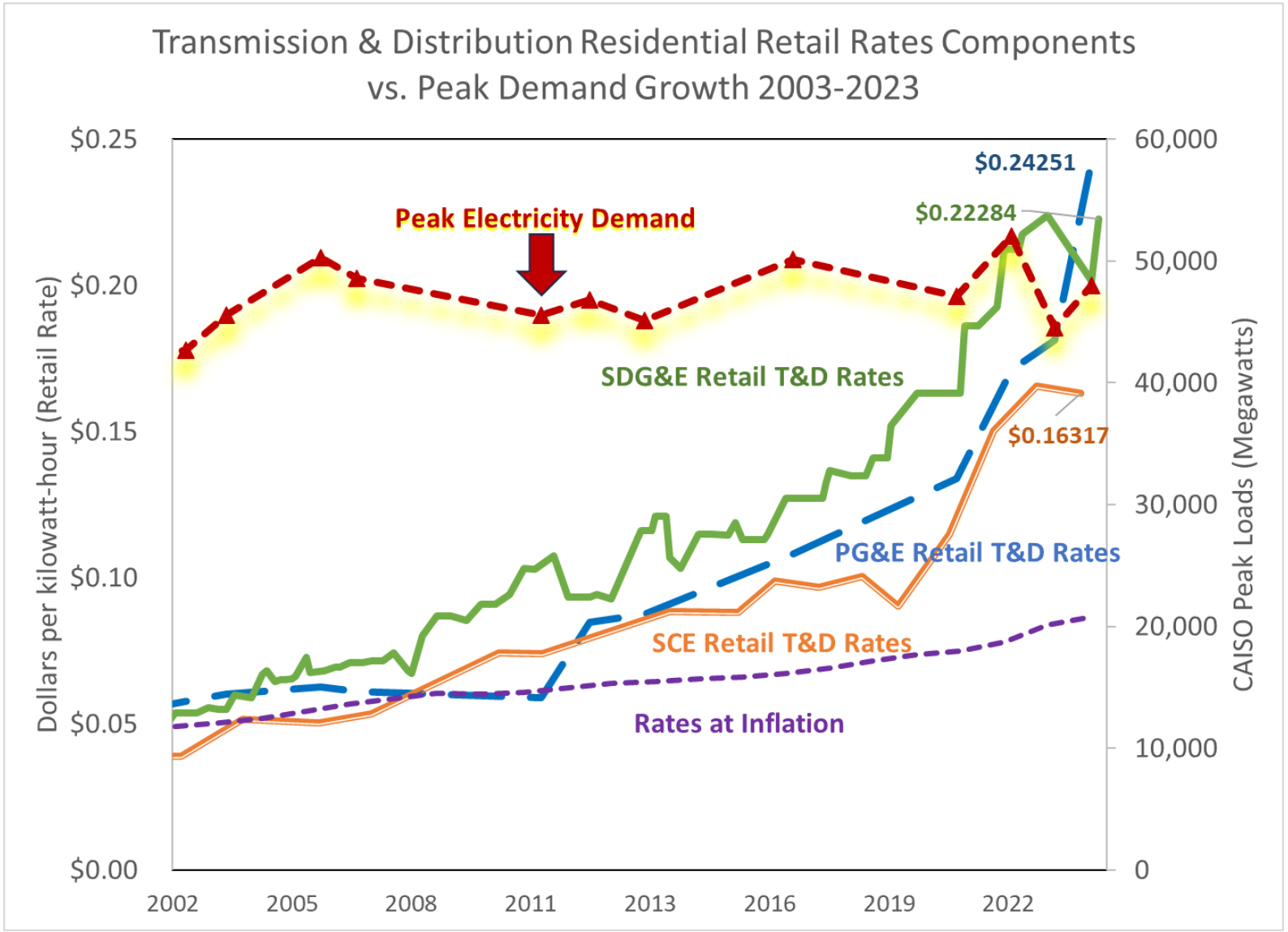
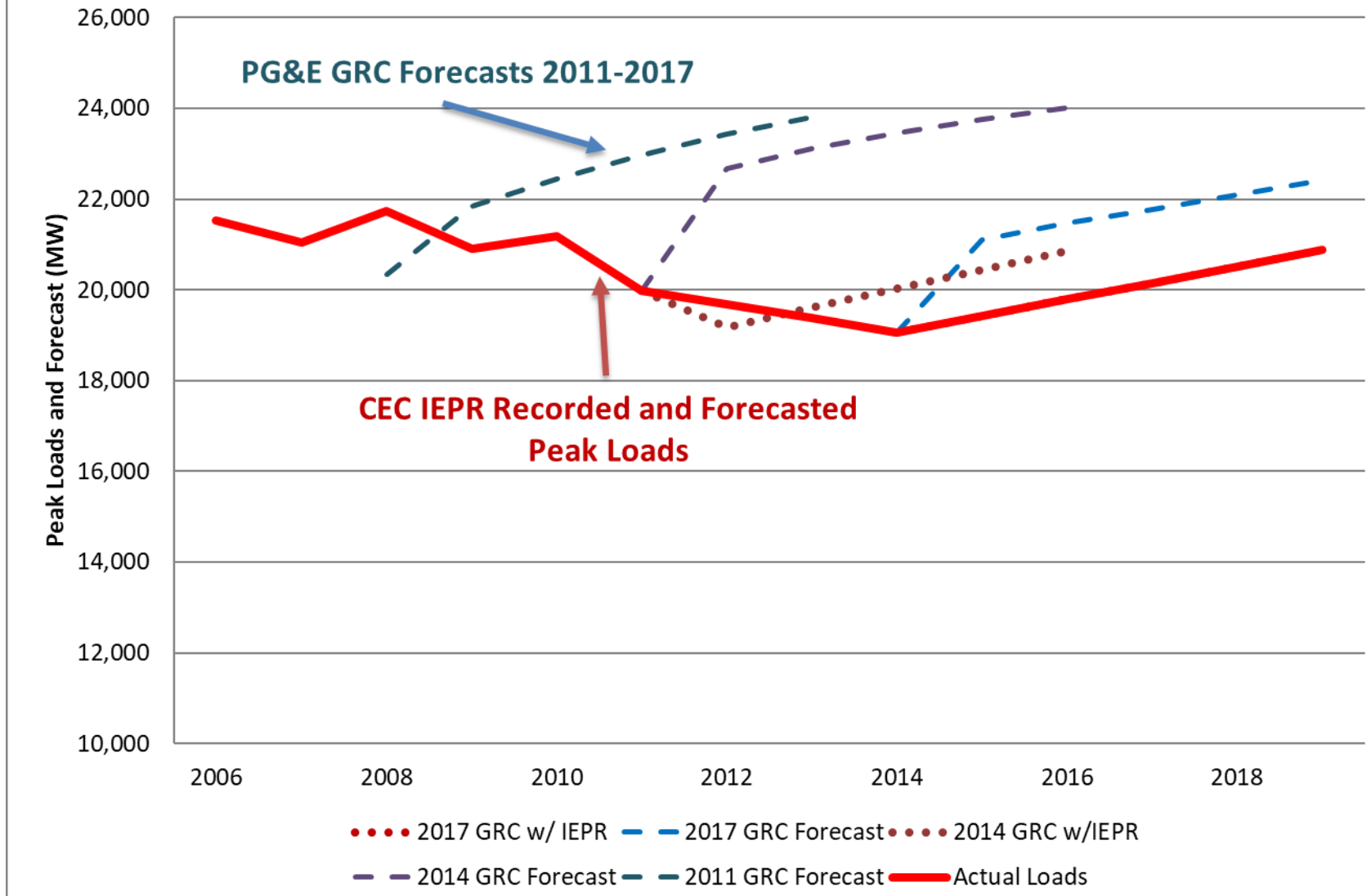
Demand Has Been Flat For Years, Yet Transmission and Distribution Spending Is Up 300%

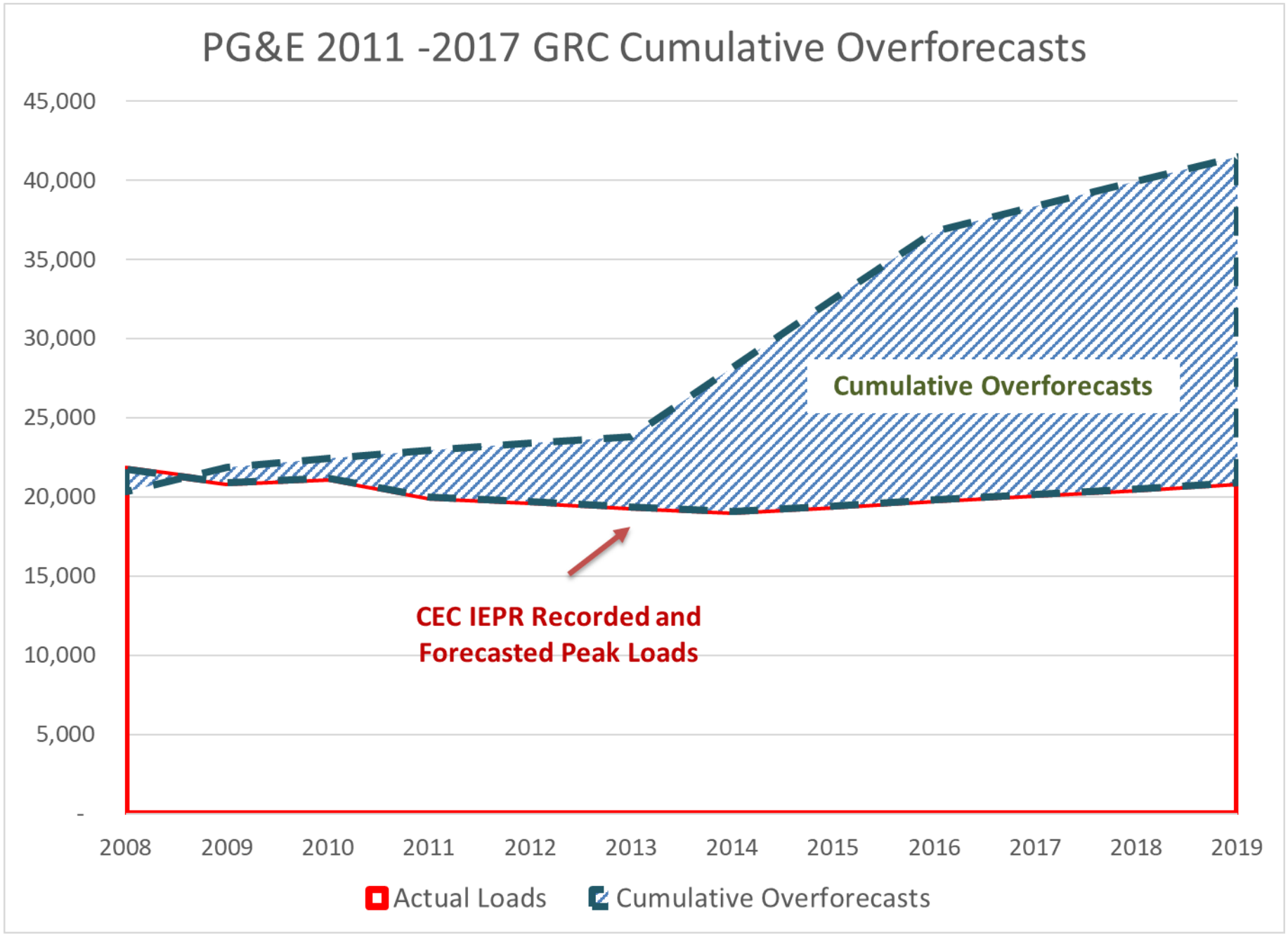


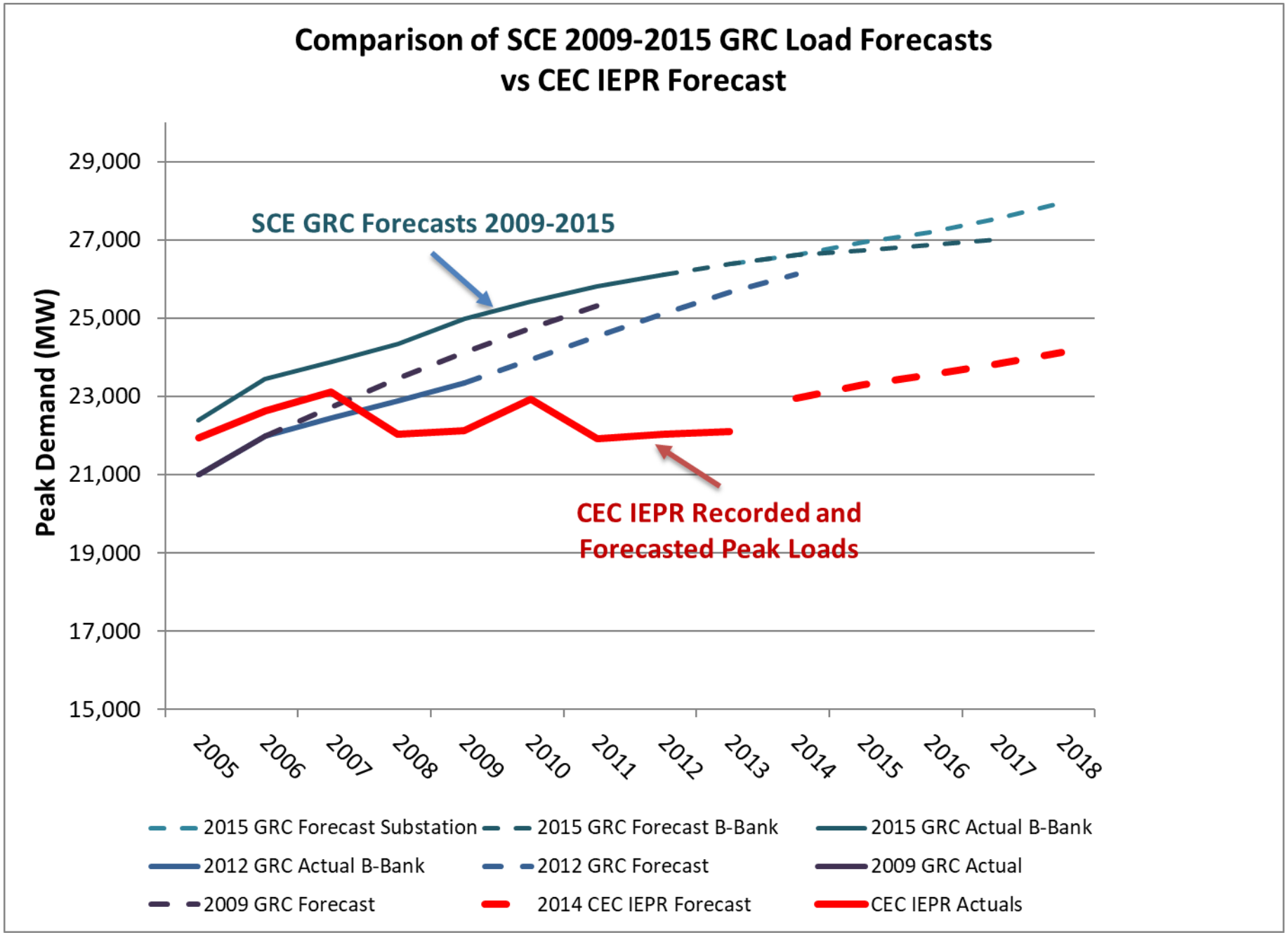
Source: Utilities' Advice Letters; CAISO website

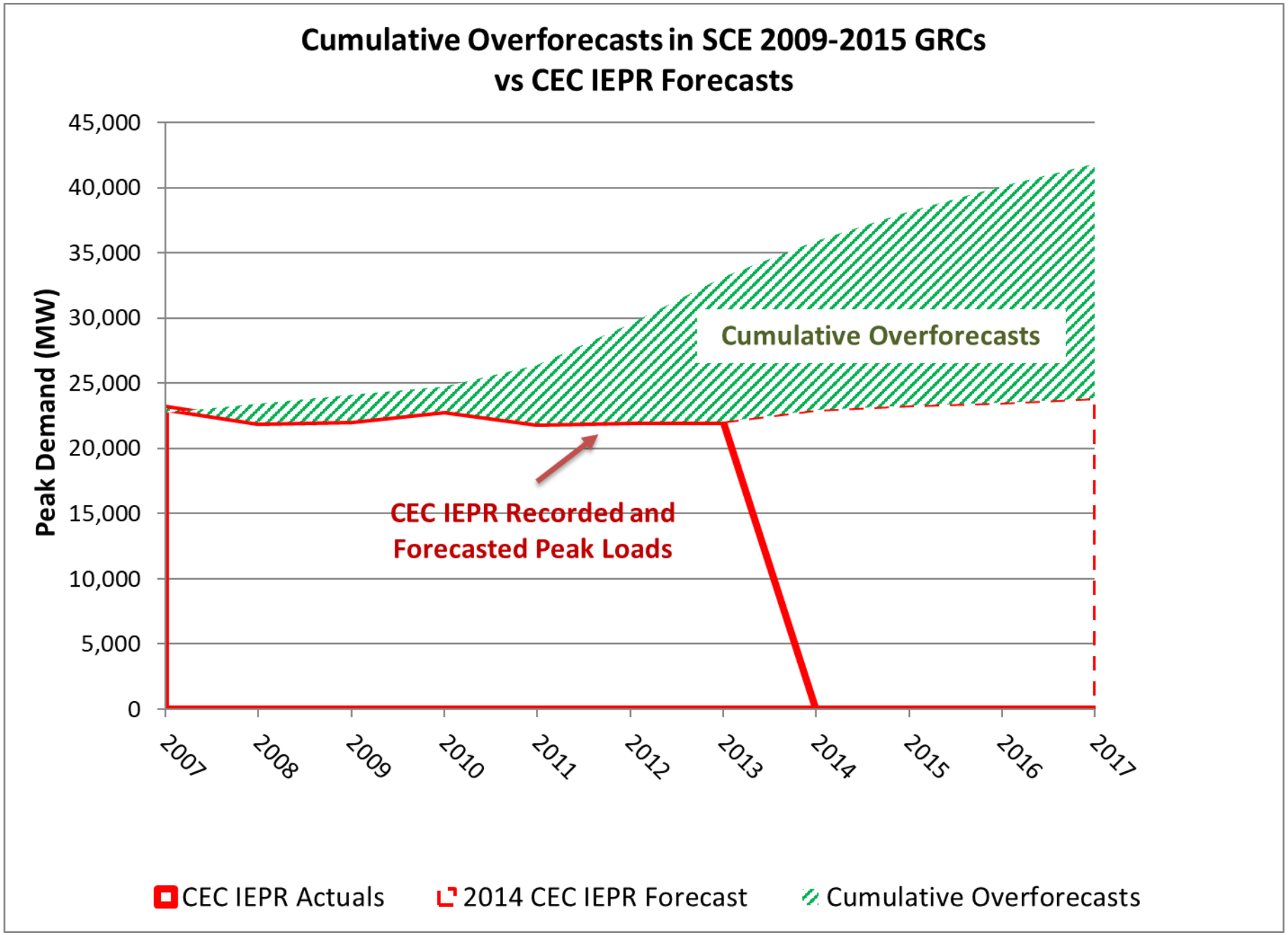
M.CUBED POLICY ANALYSIS FOR THE PUBLIC AND PRIVATE SECTORS

PG&E GRC Forecasts 2011 to 2017
vs. CEC IEPR Actual and Forecast Loads

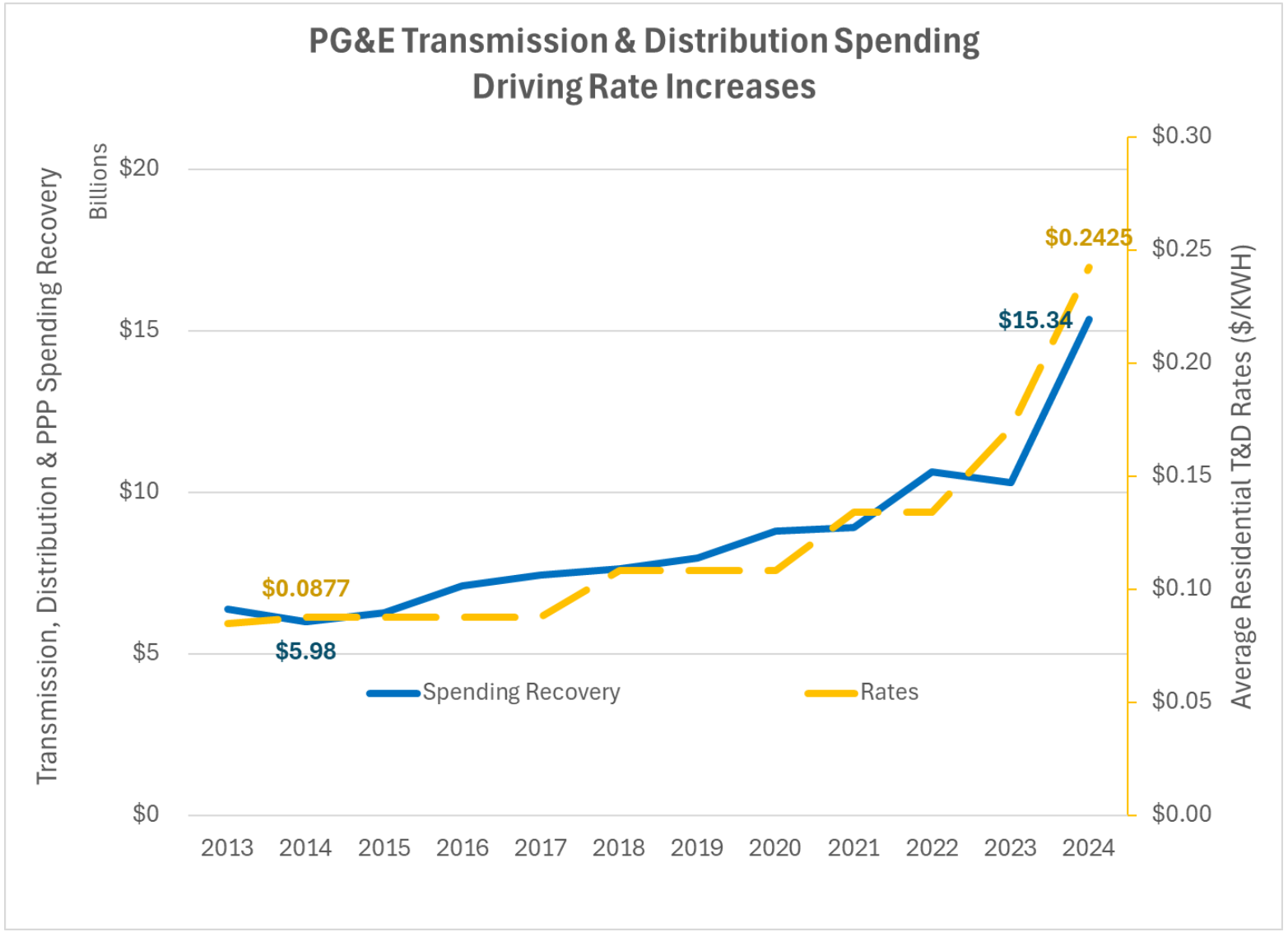



PG&E 2011 -2017 GRC Cumulative Overforecasts
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Cumulative Overforecasts
CEC IEPR Recorded and
Forecasted Peak Loads
Actual Loads
Cumulative Overforecasts


Comparison of SCE 2009-2015 GRC Load Forecasts
vs CEC IEPR Forecast
Peak Demand (MW)
29,000
27,000
25,000
23,000
21,000
19,000
17,000
15,000
SCE GRC Forecasts 2009-2015
CEC IEPR Recorded and
Forecasted Peak Loads
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2015 GRC Forecast Substation
2015 GRC Forecast B-Bank
2015 GRC Actual B-Bank
2012 GRC Actual B-Bank
2012 GRC Forecast
2009 GRC Actual
2009 GRC Forecast
2014 CEC IEPR Forecast
CEC IEPR Actuals

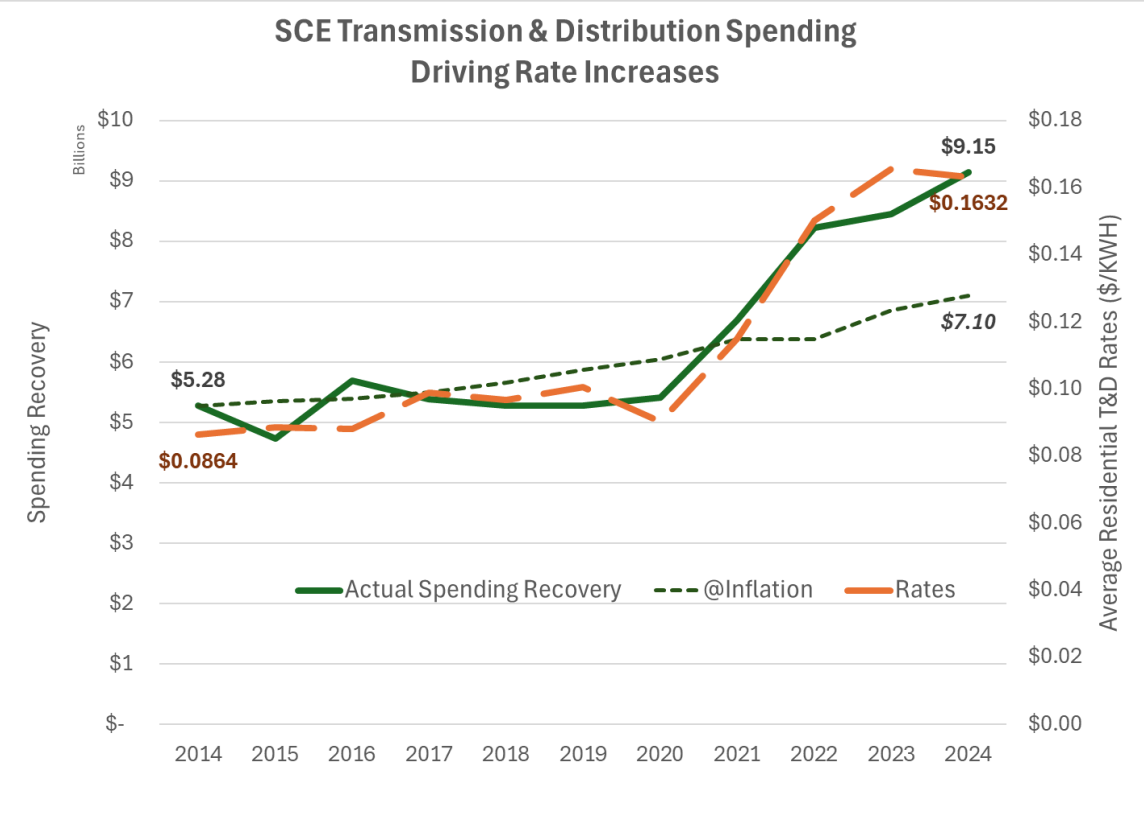

Cumulative Overforecasts in SCE 2009-2015 GRCs
vs CEC IEPR Forecasts
Peak Demand (MW)
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Cumulative Overforecasts
CEC IEPR Recorded and
Forecasted Peak Loads
CEC IEPR Actuals
2014 CEC IEPR Forecast
Cumulative Overforecasts

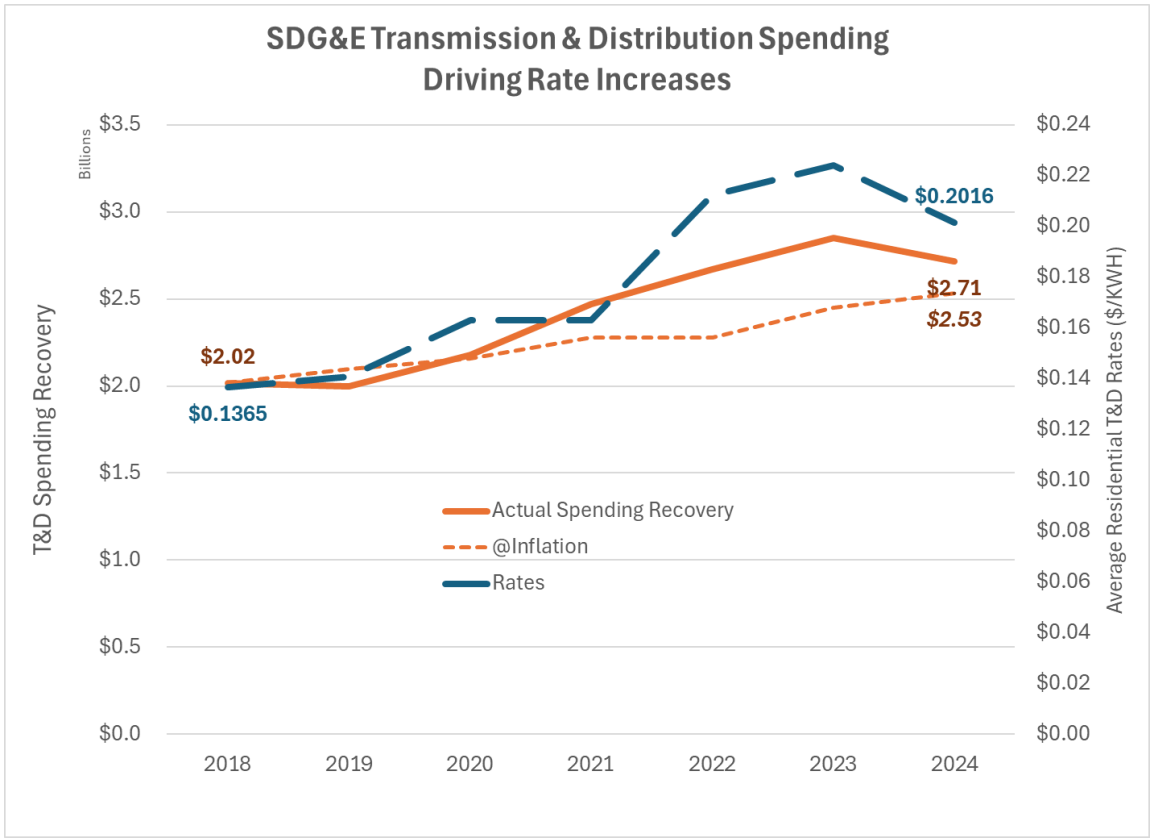
Rates Increased Because Spending Increased



Source: PG&E Annual Electric True-up Advice Letters
("Spending Recovery" = Collections from ratepayers for utility spending from current and previous years, a.k.a. revenue requirements)

All Utilities Show The Same Trend Of Rates Tracking Spending

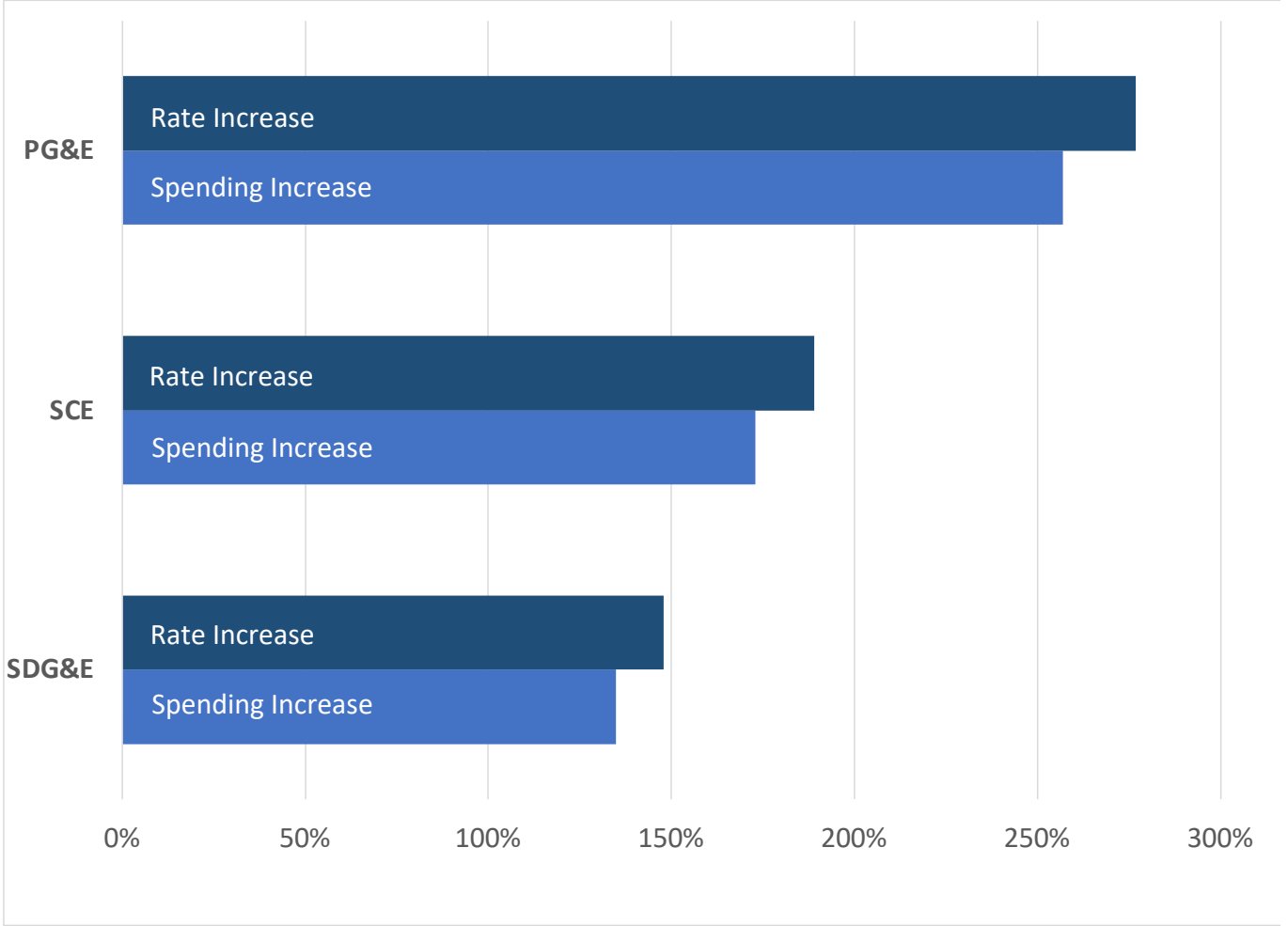




- If rate increases were due to “departing load,” utility spending would rise less than rates.
- It’s unclear how much of utility spending was prudent.

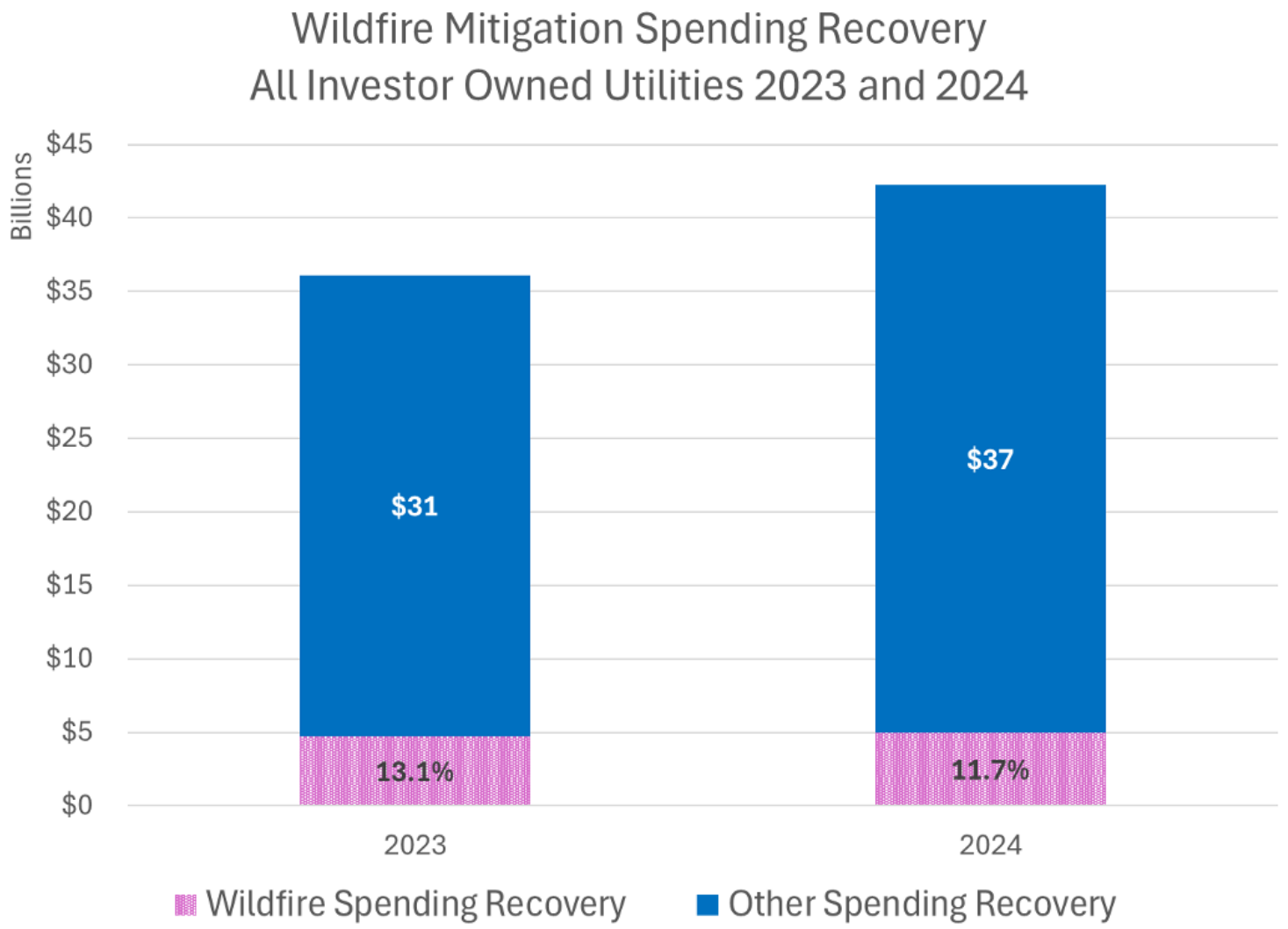
Nearly All Rate Increases Are Due To Spending Increases, Not "Departing Load"

- 91% to 93% of utilities' T&D rate increases are the result of spending increases.
- T&D spending accounts for three-fifths of rates. Generation expenditures have grown more slowly over time.
- The rest is due to demand elasticity – customers reducing their usage through a variety of approaches including using less air conditioning to save money.



Source: Richard McCann, M.Cubed Consulting. PG&E and SCE timeframe is 2014-2024. SDG&E timeframe is 2018-2024 because the utility did not previously report T&D spending separately.

Wildfire Costs Are Not The Main Reason For Spending Increases



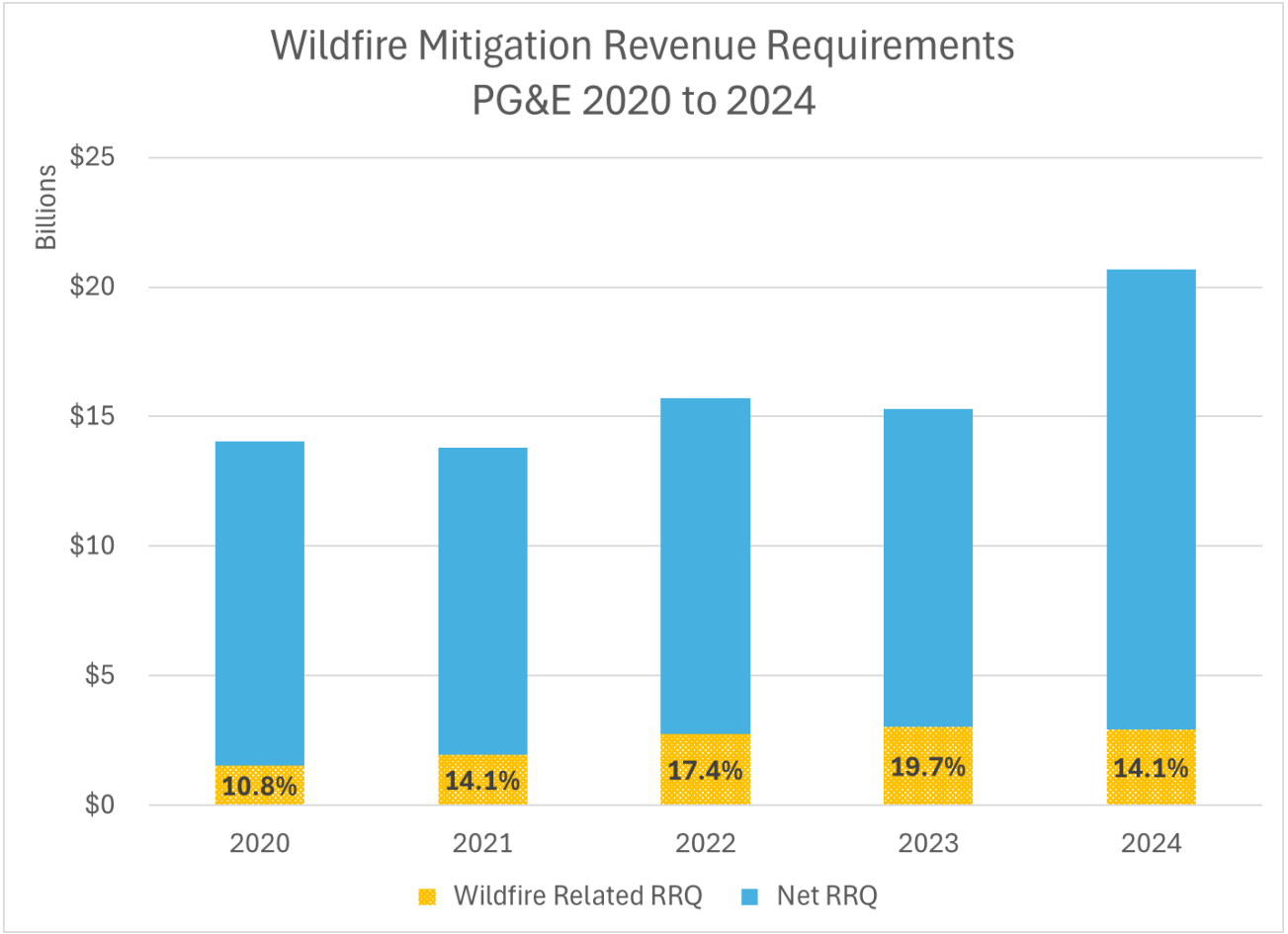
- Wildfire costs may be 12% of costs, but rates have increased ~75% over the last four years
- Large increases are coming in the future *unless* the utilities are ordered to use more cost-effective solutions.

Sources: CPUC AB 67 Reports and utilities' rate applications and advice letters

M.CUBED POLICY ANALYSIS FOR THE PUBLIC AND PRIVATE SECTORS

PG&E had a large increase in wildfire-related costs in 2022 but little since

- $1.8 billion on vegetation management
- Undergrounding only 0.5% of rates now
- Rates up 50% in last 2 years



Sources: CPUC AB 67 Reports and utilities' rate applications and advice letters

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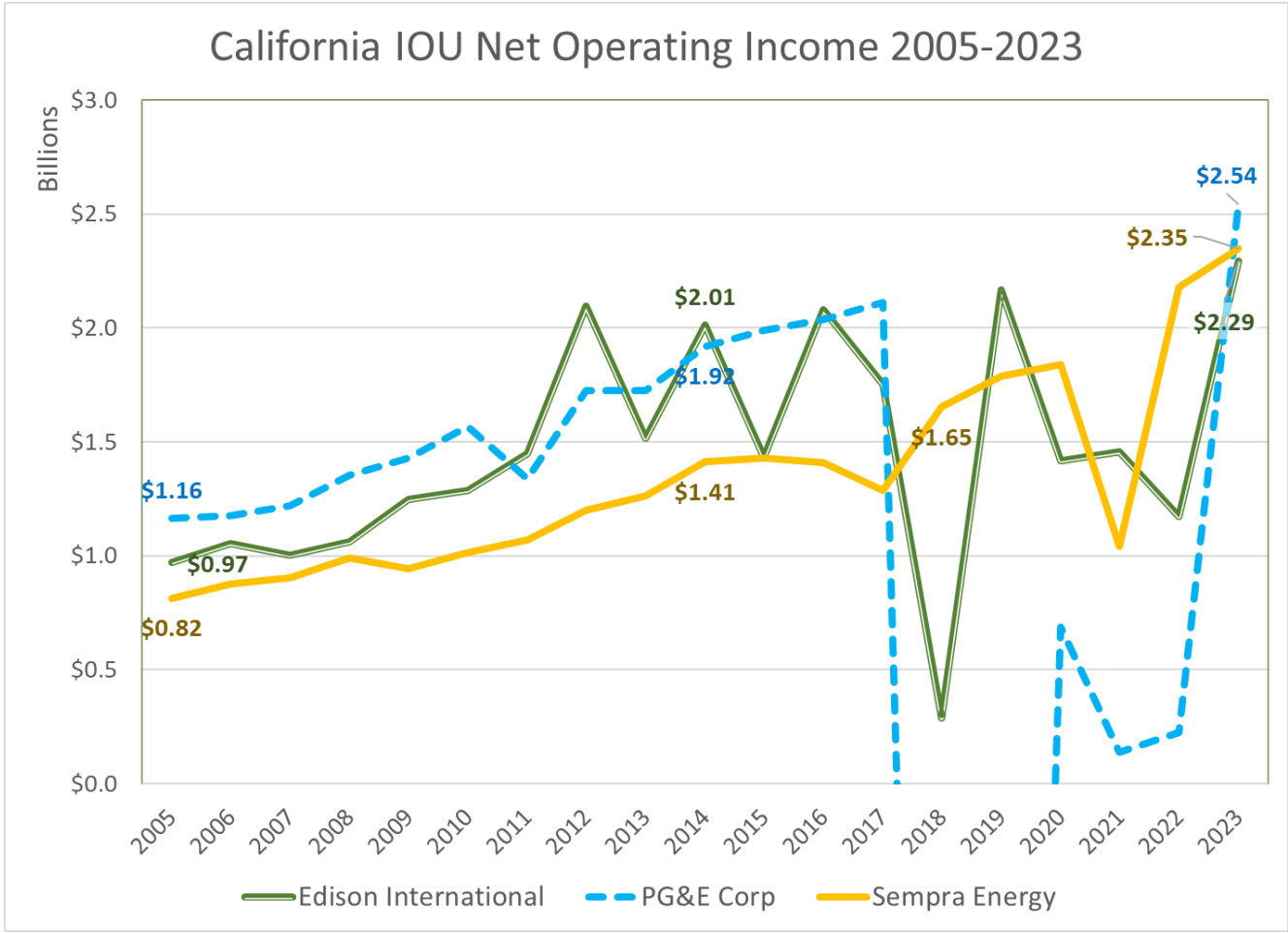
Despite Flat Demand And An Affordability Crisis, Utility Profits Have Soared

Utilities spend more money because it earns them higher profits.

Despite flat demand for their product over the past twenty years, utilities have managed to grow their profits almost 150% since 2005.

Utilities are acting rationally when they oppose energy sources that reduce reliance on the grid such as rooftop solar. Wall Street investors demand increasing profits, which are directly linked to spending on grid infrastructure.



Source: FERC Form 1

What to do When an Essential Product Becomes too Expensive?

Buy less: Regional Energy Networks.

Switch vendors: Solar plus storage.

Create competition: distributed energy resources; microgrids; municipalization.

Move: public utility service areas, other states, generally less costly.

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SAN DIEGO
REGIONAL ENERGY NETWORK

Regional Energy Networks: A Local and Holistic Affordability Solution

Aisha Cervantes-Cissna
Senior Policy Manager
San Diego Regional Energy Network

What is a Regional Energy Network?

- In 2012, the California Public Utilities Commission (CPUC) issued a decision inviting local governments to collaborate and submit proposals for **a new model for administering energy efficiency programs**. REN criteria includes:
  - Activities that utilities cannot or do not intend to undertake
  - Pilot activities where there is no current utility offering and where there is potential for scalability to a broader geographic reach, if successful
  - Activities serving hard-to-reach markets, whether or not there is another utility program that may overlap
- Four RENs operated in CA prior to SDREN. As of 2025, seven RENs serve 94% of California's population.

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Source: CalREN https://californiaregionalenergynetworks.org/about

Energy Efficiency Regulatory Framework: Key Players

Regulator

Portfolio Administrators

Implementers

Ratepayers

Investor-Owned Utilities (IOUs)

Pacific Gas and Electric Company

SoCalGas

Southern California Edison

SDGE

Regional Energy Networks (RENs)

San Diego Regional Energy Network

SoCalREN

3C REN

Northern Rural Energy Network

BAYREN

I·REN Inland Regional Energy Network

CCR REN

Community Choice Aggregators (CCAs): *Apply-to-Administer (ATA) and Elect-to-Administer (ETA)*

Value of Regional Energy Networks

Provide unique value to CPUC's energy, climate, and equity goals

Prioritize underserved and hard-to-reach customers

Emphasis on non-energy benefits

Understand local needs and fill gaps

Provide holistic customer solutions

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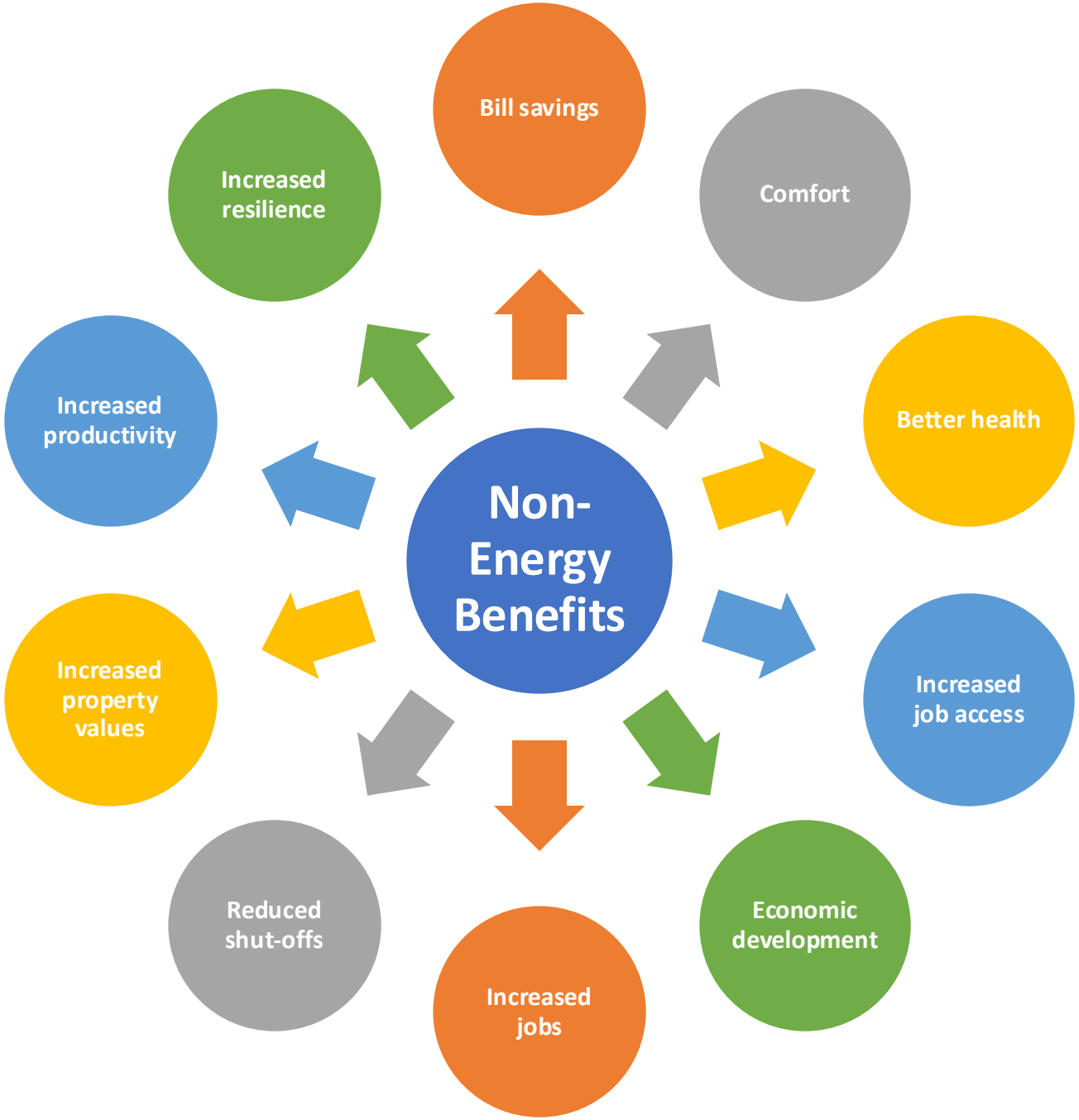

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Hard-to-Reach Communities

LANGUAGE

- Primary language spoken is not English

GEOGRAPHY

- Businesses or homes in disadvantaged communities
- Businesses or homes outside of key metropolitan areas

SMALL BUSINESS

- <25 employees and/or demand <20 kW
- Leased or rented facilities

RESIDENTIAL

- Income – utility assistance
- Housing type – multifamily and mobile home tenants

GOVERNMENTS

- California Native American Tribes
- Local governments in DACs

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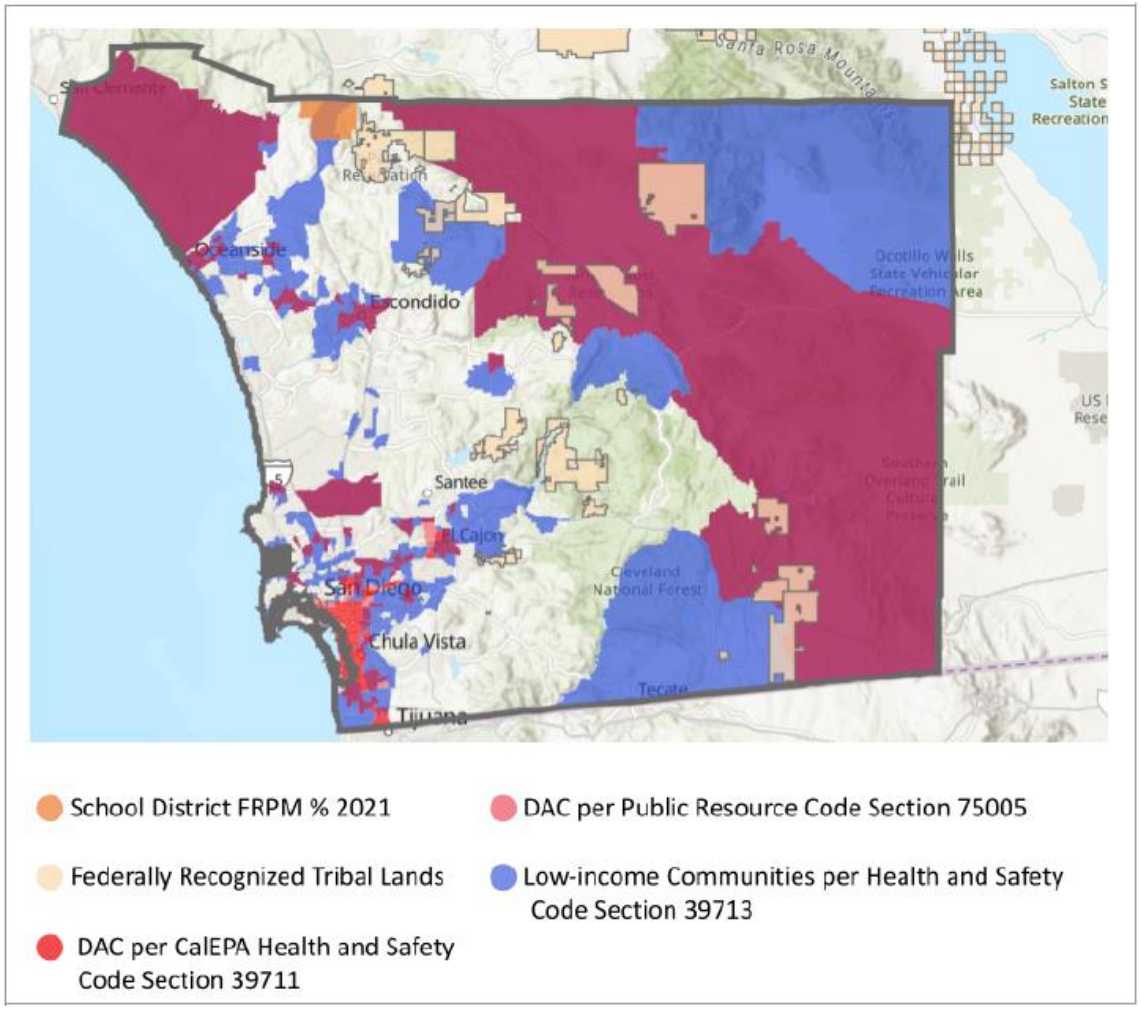
Underserved Communities

Must meet 1+ of the following:

- A disadvantaged community
- Considered low-income
- At least 75% of public school students receive free or reduced price meals
- Located on lands belonging to a federally-recognized California Indian Tribe



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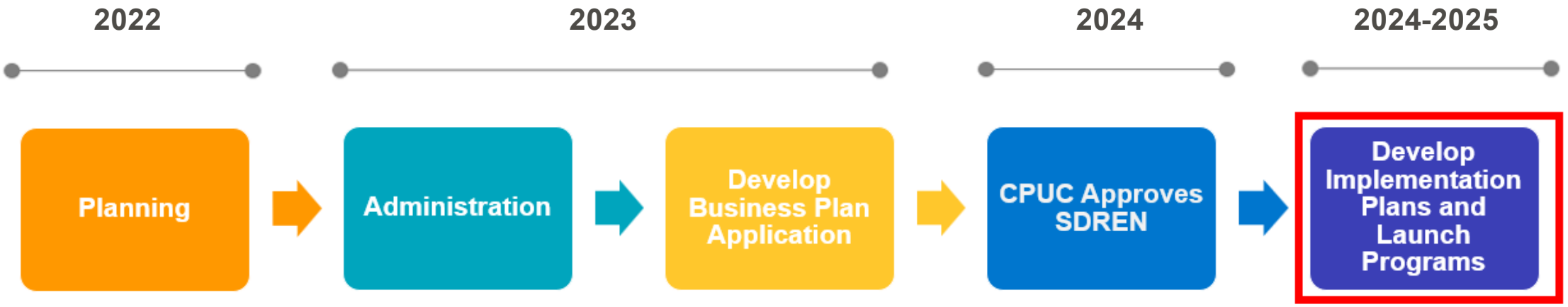
SDREN Formation Timeline and Core Values



Integrate a collaborative and purposeful investment in the region's underserved and hard-to-reach communities

Grow a regional clean power economy that creates opportunities for the local workforce

Be a trusted local resource to coordinate regional policy, partnerships, and programs

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Service Territory and Demographics

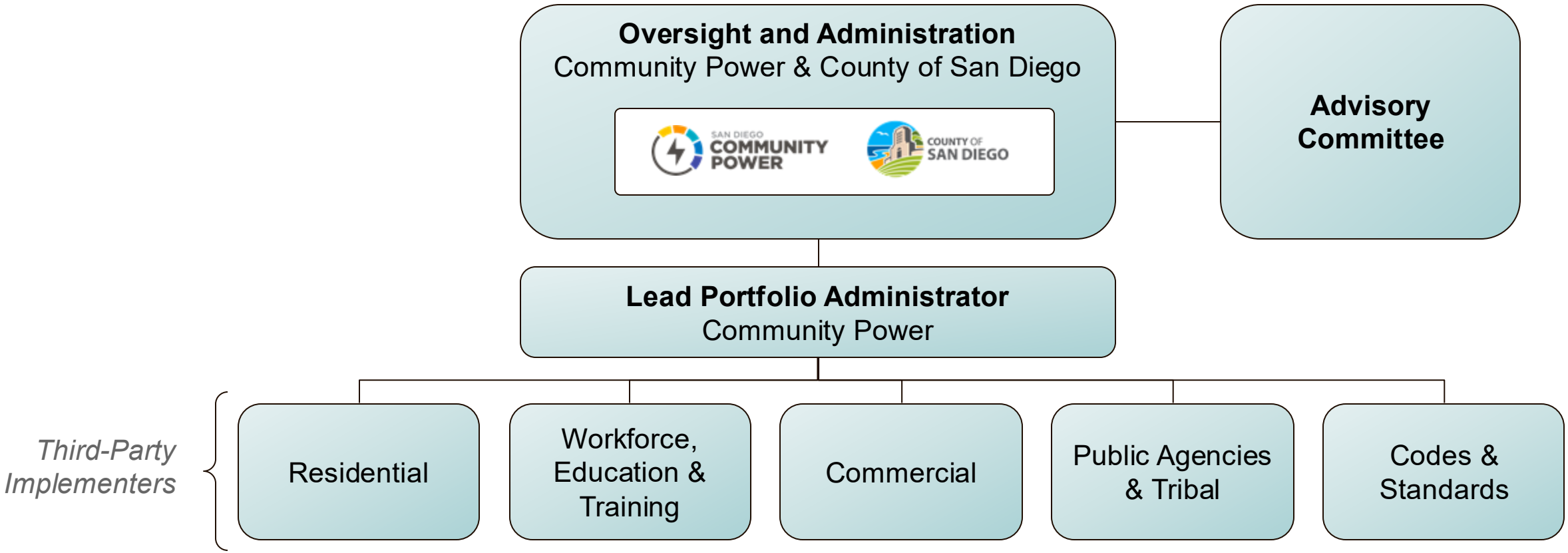
San Diego County

- 3.3 million people
- 18 incorporated cities, 1 county
- 18 federally recognized tribes
- 70-miles of coastline
- International border
- Load serving entities: SDG&E, Clean Energy Alliance, San Diego Community Power
- High concentration of small businesses
- High housing and energy costs

Regional Support

SDREN received support from dozens of businesses, community-based organizations, public agencies, and environmental groups throughout the San Diego region.

Governance Structure



SAN DIEGO REGIONAL ENERGY NETWORK

SDREN Programs

Scheduled to launch by EOY 2025!

Sector	Program Name, Segment, and Target Audience
Workforce, Education & Training	1. **Energy Pathways Program** (Market Support) - High school students 2. **Workforce Training & Capacity Building** (Market Support) - Adult workforce & employers
Codes & Standards	3. **Codes & Standards** - Public agencies (i.e., permitting authorities) and building industry professionals
Public	4. **Climate Resilience Leadership** (Market Support) - Public agencies (e.g., cities, special districts, public education) 5. **Tribal Engagement** (Equity) - Tribes in San Diego County
Residential	6. **Single Family** (Equity) - Homeowners and renters of single-family residences 7. **Multifamily** (Equity) - Tenants, property owners/managers, properties with 2+ units
Commercial	8. **SMB Energy Coach** (Equity) - Small and medium businesses 9. **Efficient Refrigeration** (Equity) - Small corner stores and food service 10. **Market Access Program** (Resource Acquisition) - Commercial property owners, retail, restaurants

SDREN Programs and Affordability

Sector	Affordability Connection
Workforce, Education & Training	• Increase access to well-paying jobs and promote economic mobility
Codes & Standards	• Provide resources to increase capacity of local governments and other professionals to reach/exceed code requirements to realize savings with energy efficient buildings
Public	• Provide education, training, and technical services to public agency participants to realize reduced energy costs from EE measures • No cost technical assistance to help Tribes develop ideas and receive direct funding grants to implement self-designed energy initiatives to contribute to economic development
Residential	• Concierge-style service to connect participants to energy efficiency programs to lower bills
Commercial	• Education, technical assistance, and no- to low-cost direct installation of EE measures to lower bills

SAN DIEGO
REGIONAL ENERGY NETWORK

Thank You

Aisha Cervantes-Cissna
Senior Policy Manager
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On the Ground

True Tales of Local Electrification Policies, Programs, and Projects

Affordability

- When we are working on policies, programs, projects, or advocating for outcomes, it is critical that we clearly define our terms.
- "Affordable" for who, when, and at what scale?
- What we mean by affordability influences what we end up spending our time on.
- Narrow focus on "spark gap"
  - Cost difference between electricity and natural gas
  - Observation: Work is easiest when electricity efficiency gains ≥ spark gap
  - Suspicion: Success scaling across markets is proportional to the relationship between efficiency gains and the spark gap

City Climate Goals

- Carbon neutral by 2035
- Cut pollution from existing buildings by 50% by 2030
- Implementation is aligned with – and directly supports - other City and community goals

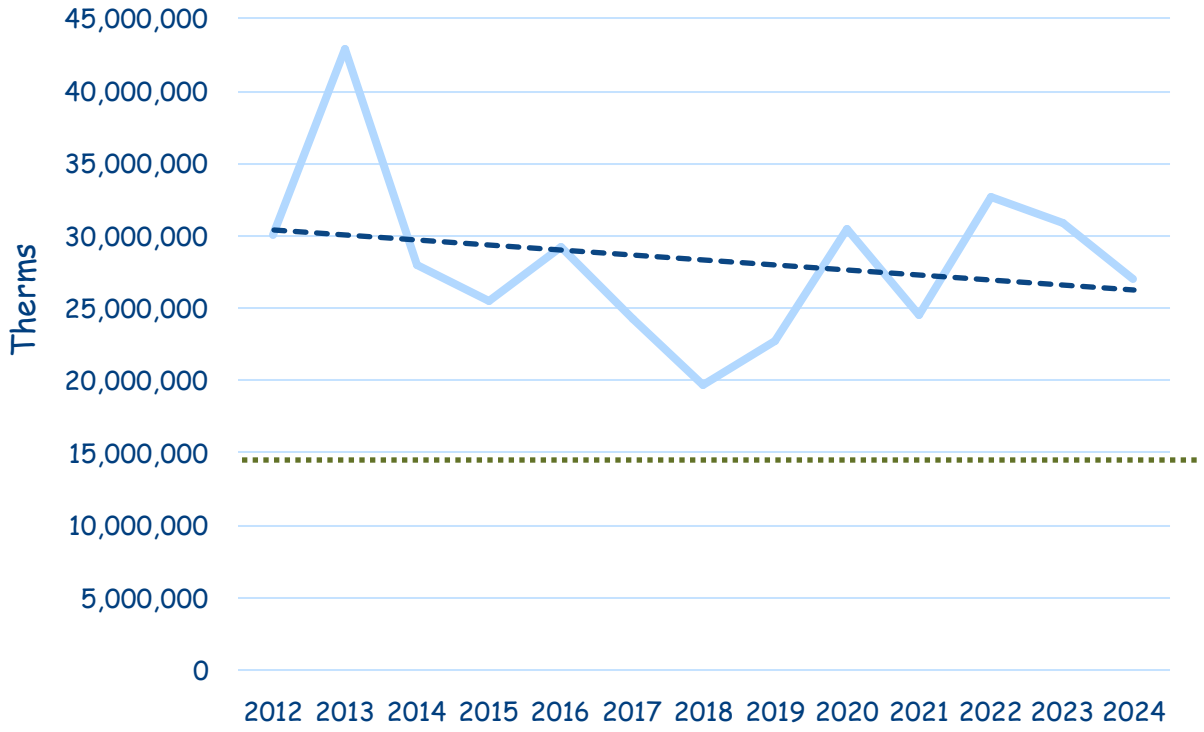
Building Sector Goals - Approach

- Require new buildings to be as cost-effectively efficient as possible.
- Connect people with incentives, rebates, and technical assistance to make improvements when the time is right for them.
- Identify cost-effective policies to accelerate improvements.

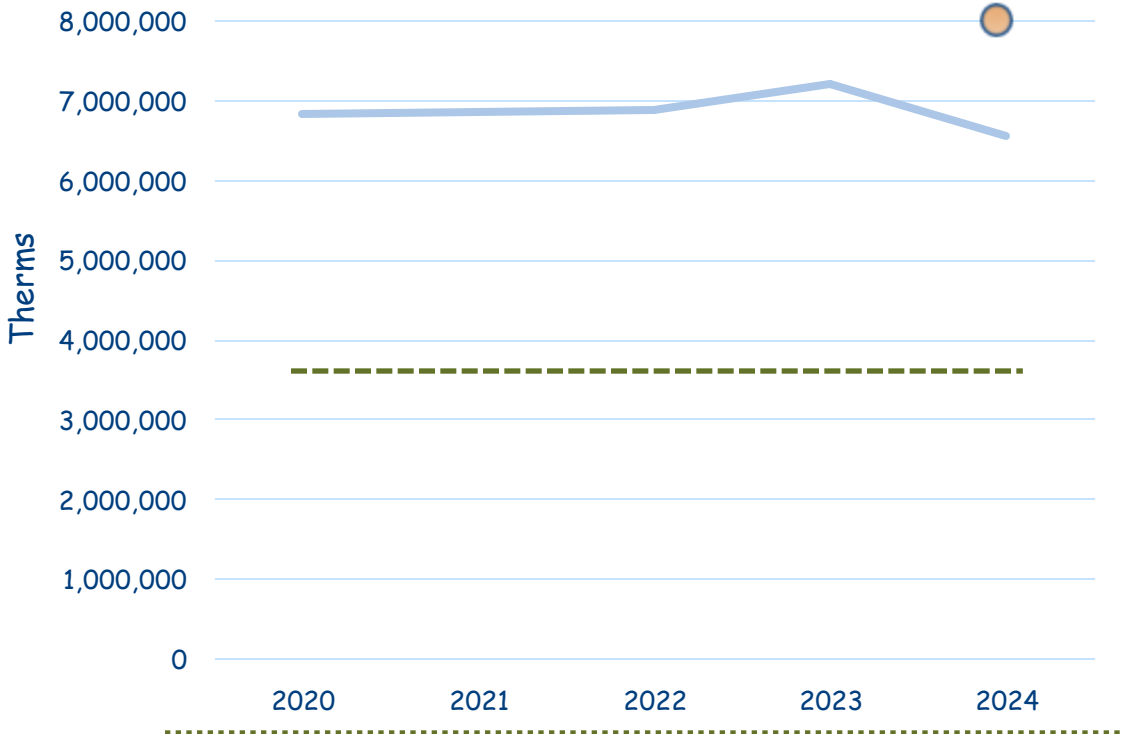
EMISSIONS REDUCTION PROGRESS

Natural Gas Consumed in Zip Codes 93401 and 93405

All Sectors, 2012-2024

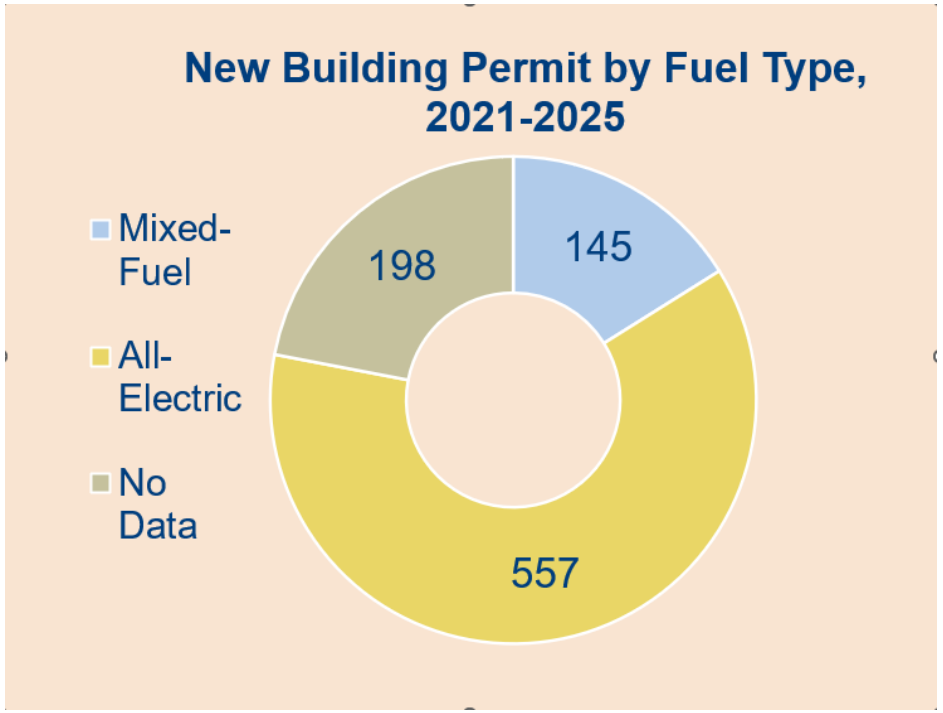


Residential, 2020-2024

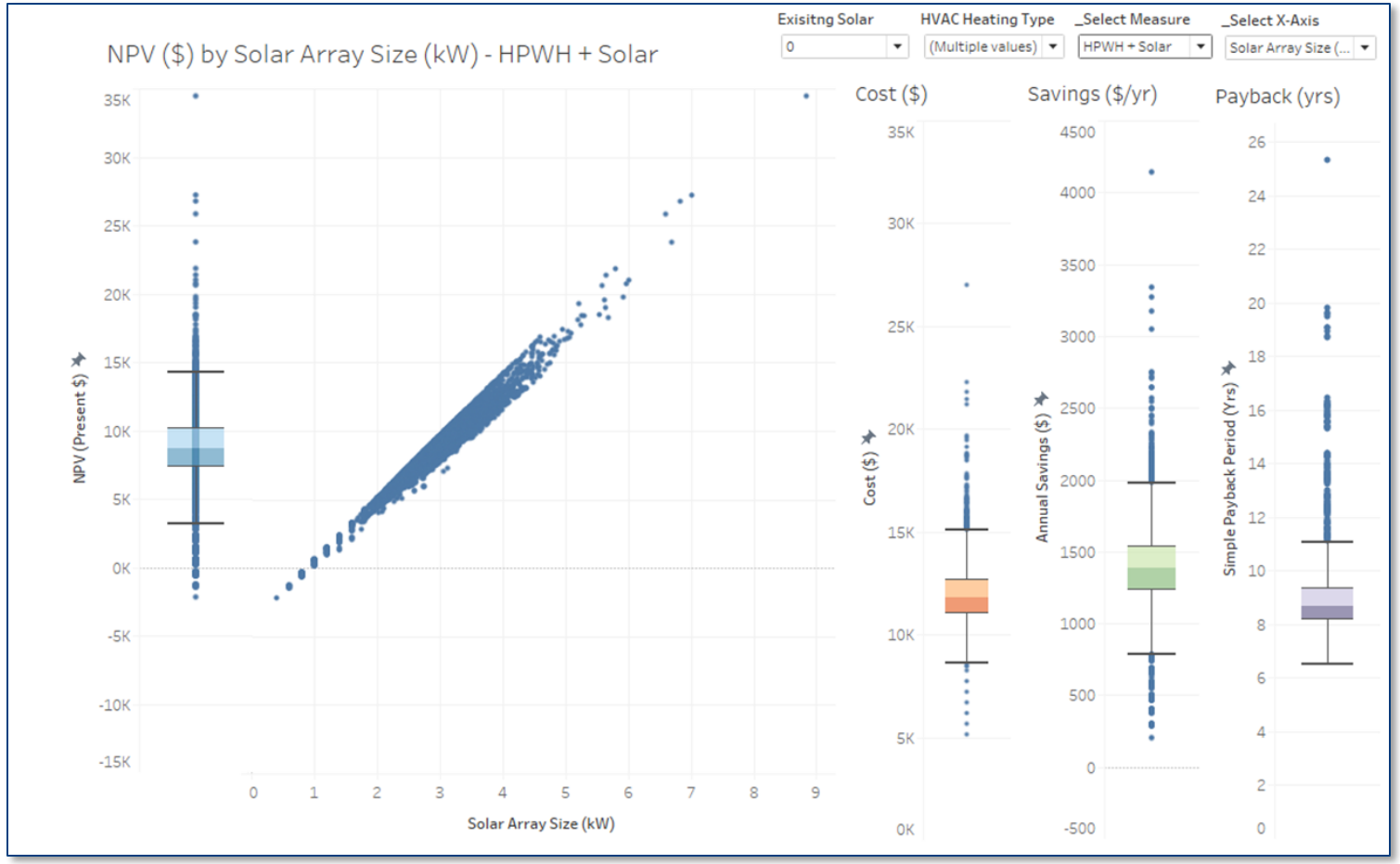


Source: SoCal Gas

All-Electric New Buildings

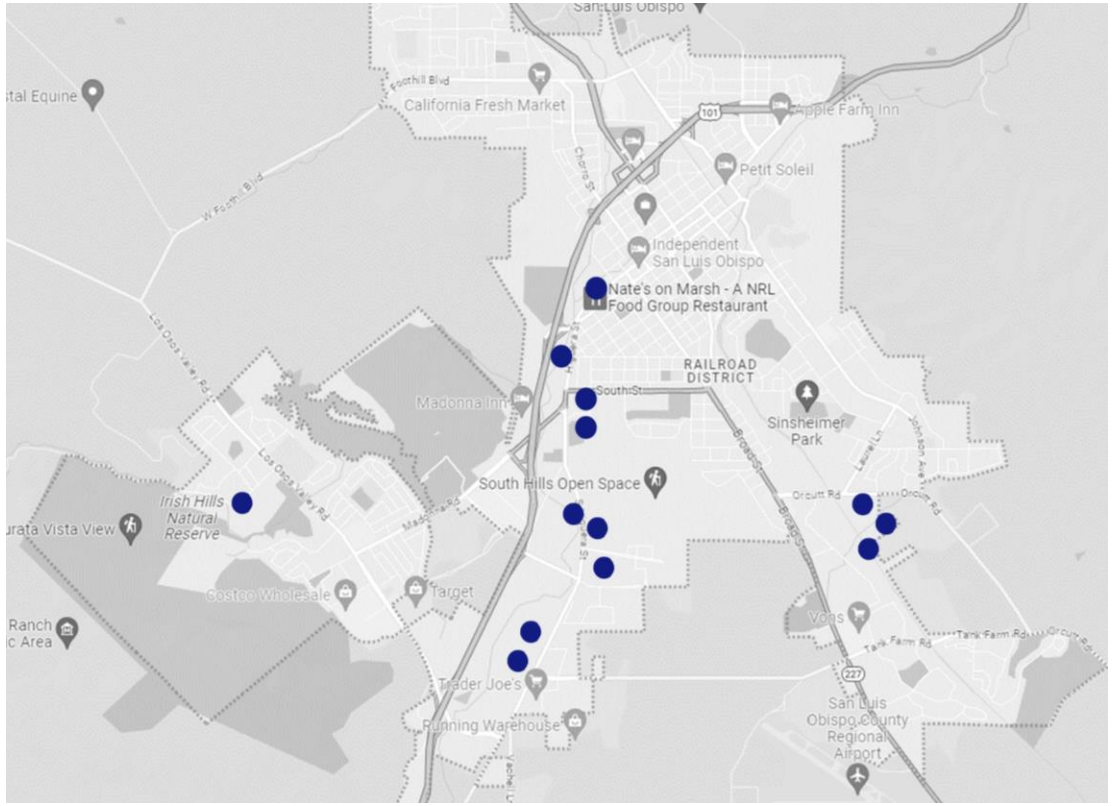


Policy-Development: Solar + Hot Water Heater



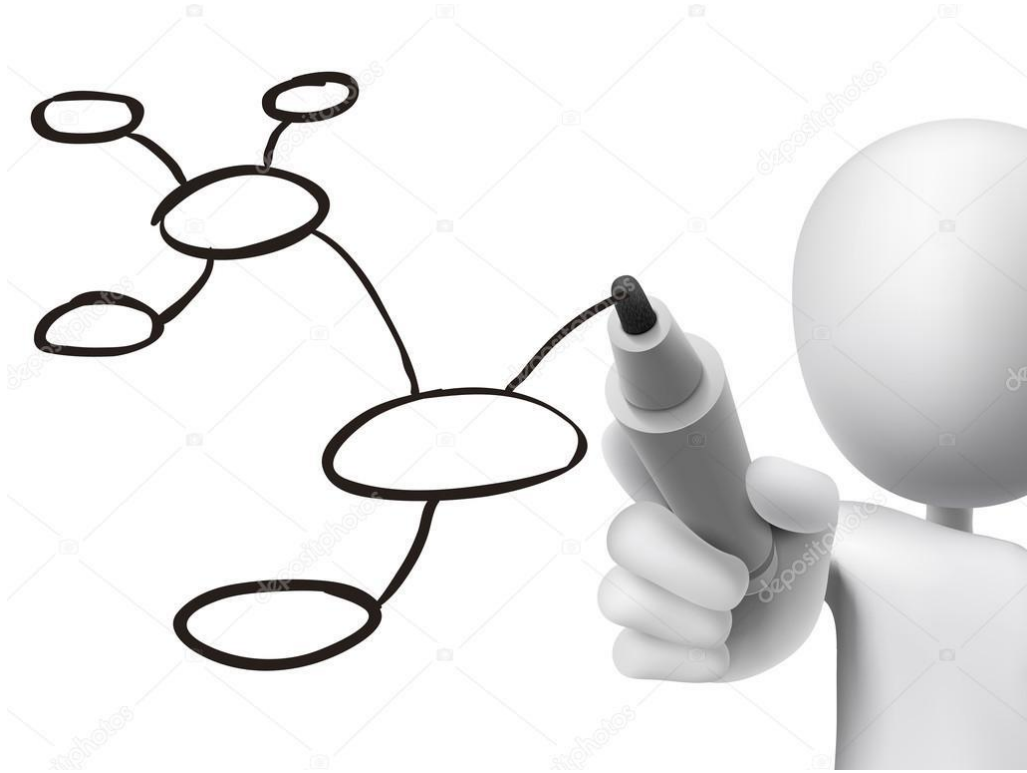
Source: XeroHome

Project: Green and Healthy Homes



The Past is Prologue

- Are we moving in the right direction and scale? If not, why?
- Let's organize to decarbonize!
  - What organizations are successful in influencing electricity affordability?
  - What do we need to do to create the conditions that allow us to serve our communities well?
  - Join us!



Small Group Conversations

Table Subjects:

- Regulatory – Steven
- Community scale energy efficiency – Aisha
- Legislation solutions – Chris
- Direct action to lower bills - Ariana
- Out of the box solutions – Cory

Small Group Conversations

What do you think would be most helpful...
- For others to change?
- For you to change?

As stakeholders try to reduce electric rates...
- What positive efforts have you seen?
- What setbacks have you seen?

What is one take away you have from this session?

What is one resource on this you would like to share?

<u>What has been the best rate-saving opportunity for you?</u>

(For Whova wordcloud)

Small Group Report Out

What has been the best rate saving opportunity for you?

- View word cloud:
  - What has been the best rate-saving opportunity for you?

- Keeping the conversation going:
  - Stakeholder Convening Thursday afternoon