



June 25, 2024

Honorable Josh Becker
California State Senate
1021 O Street, Suite 7250
Sacramento, CA 95814

Re: SB 1018 (Becker) – Oppose

Dear Senator Becker:

The Public Advocates Office is the independent consumer advocate at the California Public Utilities Commission (CPUC). We advocate for affordable, safe, and reliable utility services consistent with the state's climate and clean energy goals.

We respectfully oppose SB 1018, as amended on June 20, 2024, because it risks increasing costs for customers as well as increasing safety and reliability impacts. The bill would exempt from CPUC oversight certain electrical generation and energy storage facilities serving certain customer loads without any limitations on cost, oversight over the safety of these facilities, or requirements for reliability. This could result in utility costs being shifted unfairly to non-participating customers. Further, it could force regulated utilities to serve as intermediaries between certain large generation facilities and a specific group of customers, which would undermine competitive procurement of electricity and potentially increase costs to other customers.

Specifically, the bill exempts from CPUC oversight solar and wind generators larger than five megawatts, which use private lines to serve customers producing electrolytic hydrogen and using industrial heat processes. As amended on June 4, 2024, the bill also would require the CPUC to develop a tariff for these solar and wind facilities if they exceed 80 megawatts and would require regulated utilities to serve as contractual intermediaries for the purchase and resale of electricity for

these facilities. This tariff would include unspecified generation costs as well as cause the regulated utility to incur administrative and operational costs. This proposal to create this tariff only for certain customers and for a narrow group of facilities undermines the competitive procurement of electricity, while other renewable generators and other market participants must compete to sell power to the grid at the lowest cost.

SB 1018 also raises safety implications given the absence of CPUC oversight. The bill does not specify any entity that would be responsible for maintaining the private power lines that connect the generation facilities to certain customers. Therefore, it is not clear whether wildfire mitigation and other safety impacts would be appropriately addressed, which is especially concerning since there is no limitation on the distance between the generation facility and load that it would serve.

Additionally, the bill creates reliability concerns, as the specified customers could still use the electrical grid as a backstop for power in addition to any grid services required for purposes of the potential purchase and sale of electricity from these facilities. In particular, it allows the participating customers to also take supplemental service from a regulated utility under a standard offer tariff. This creates uncertainty on how large these supplemental loads might become in the event of an outage of the unregulated generation facility, which could cause sudden spikes in electrical demand on the grid. Finally, the bill introduces the risk of competing financial and performance interests for these generation facilities by stating that “nothing prohibits [these facilities] from also participating in the wholesale market.”

In sum, if enacted, SB 1018 would establish a program that creates uncertainty regarding safety and reliability impacts, and unreasonable cost burdens to other customers.

Sincerely,

A handwritten signature in blue ink, appearing to read "Linda Serizawa", with a long, sweeping underline that extends to the right.

Linda Serizawa
Interim Director