

December 23, 2022

VIA ELECTRONIC MAIL

Alice Busching Reynolds
President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Alice.Reynolds@CPUC.CA.GOV

Subject: Response to November 28, 2022 letter *Continuing Coordination on Federal Funding Opportunities in the Infrastructure Investment and Jobs Act of 2021*

Dear President Reynolds:

Pacific Gas and Electric Company (PG&E) appreciates the encouragement from President Reynolds and the California Public Utilities Commission (Commission or CPUC) to apply for federal grant funding. PG&E is pursuing several opportunities with the goal of leveraging federal funds to accelerate progress on priority issues while reducing the cost for customers. PG&E is eager to partner with the Commission to achieve our shared aim of drawing new financial resources to California to the benefit of our customers and the communities we serve.

PG&E has attached the four concept papers it submitted to the Department of Energy (DOE) on December 16, 2022. PG&E welcomes the Commission's feedback and questions regarding the four concept papers, acknowledging that as we develop the full applications due in March and April 2023, the Commission's feedback and support will help PG&E develop competitive applications. PG&E respectfully submits answers below to the CPUC's questions regarding the process, content, and financial impact of the DOE's grant program.

Match-funding or cost-sharing requirements

The DOE has articulated requirements to ensure grant recipients invest their own resources alongside federal funds and has further set the expectation that federal funds will augment, rather than supplant, recipients' investments in their own systems. PG&E is pursuing federal grants with the knowledge that, if successful, PG&E is committed to directing significant funding to the proposed projects. PG&E is eager to work with the Commission to identify and make available funds in a manner that will not jeopardize critical safety work nor efforts underway to meet commitments to customers. PG&E is confident that, with the Commission's partnership, it will be possible to comply with the DOE's requirements without compromising existing plans.

PG&E is proud of the pace at which customers of all types and sizes are electrifying transportation and buildings, but as the resulting load growth surpasses even state and utility forecasts, capacity demands are exceeding the amount of work PG&E is authorized to perform. Additional resources are essential for PG&E to meet customer needs, facilitate rapid decarbonization, and continue driving progress toward state goals. The ability to draw on CPUC or state authorized funds beyond those requested in the 2023 General Rate Case (GRC) filing would allow PG&E to deliver more results for customers by developing projects additional to



those already in the plan. Further, accessing more funds would make PG&E's applications more competitive by clearly aligning with the DOE's desire to see grants complement existing resources.

Treatment of tax liability for federal funding awarded

In general, Tax Cuts and Jobs Act of 2017 made grants received from the federal government taxable income in the year they are received. However, certain grant programs may be excluded from taxable income if specific guidance related to such programs is provided for in the Code, IRS regulations, or other IRS guidance. Since California has not conformed to the federal Tax Cuts and Jobs Act of 2017, the grants may not be considered taxable income for California tax purposes at this time.

Ensuring that each proposed project is competitive in the DOE application process

The DOE's [Funding Opportunity Announcement](#), issued November 18, 2022, provides extensive guidance to prospective applicants. In addition to baseline eligibility rules, DOE articulates strategic goals, selection criteria, and policy objectives each proposed project must advance. PG&E carefully considered DOE's competitive criteria while selecting and proposing projects for Topic Areas 1 and 2 concept papers and will continue to reflect PG&E's commitment to the Biden Administration's Justice40 Initiative and other priorities in full applications.

Even as PG&E adheres to the letter and spirit of DOE's directions, the Commission's support will be vastly important for application success. PG&E hopes to consult with the Commission during the application development process, and, ultimately, to submit the application with a support letter from the Commission. PG&E is confident that an endorsement from the Commission will be taken very seriously by the DOE and looks forward to creating proposals that the Commission will be eager to support.

Tracking and oversight of awarded funding to ensure reductions in costs to utility customers

PG&E will follow all tracking and reporting requirements articulated by the DOE and will be happy to share those analyses with the Commission as they are submitted to the DOE.

PG&E is committed to managing customer costs and to making the system safer, cleaner, and more reliable without compromising affordability. Pursuing new resources is a component of PG&E's effort to make necessary investments while minimizing the cost to customers. It is not the only piece of the affordability puzzle, but it is a high priority for which PG&E has now dedicated a standing team.

PG&E looks forward to working in partnership with the Commission to ensure that external funds are deployed to achieve high impact, catalyze customer and community success, and prepare the grid for the future. Supplementing customer dollars with new sources of funding is critical if PG&E is to meet existing and anticipated customer and grid demands. Securing such funding may not produce immediate-term revenue requirement or bill offsets. However, these opportunities can enable PG&E to execute on projects in excess of plans authorized by the Commission for PG&E's rate case requests in the near term at a reduced or no additional cost to customers. For example, accommodating rapid growth of electric vehicle (EV) adoption and building electrification—and enabling further momentum—comes with costs. Those costs will enable



lower customer bills in the longer term, however, as increased electrification ultimately leads to wider distribution of fixed costs and a switch to more affordable fuels. Investments are needed now to make electrification an easy and accessible choice for customers.

Any other regulatory issues necessary to support the electric and gas IOUs' abilities to apply for the federal funding

PG&E is not aware of any additional regulatory issues at this time but is eager to coordinate with the Commission to identify and resolve any that emerge.

Ensuring the project applications are in alignment with California state goals

PG&E invites the Commission to review the attached concept papers submitted to DOE on December 16, which reflect key state goals including wildfire risk reduction, decarbonization, and renewables integration as well as commitments to investing in low-income/disadvantaged communities, prioritizing equity, and harnessing innovation to produce better outcomes for lower costs.

Identify the specific DOE programs your utility is and is not planning to apply for and why

PG&E has recently been focused on the Grid Resilience and Innovation Partnerships (GRIP) program Topic Areas 1 and 2, for which concept papers were due December 16. In addition to applying for funding from GRIP Tracks 1 and 2, PG&E intends to support the development of one or more concept papers for GRIP Track 3. Though not eligible to receive funding directly, PG&E is committed to working with partners to secure funding for important work covered in this program. PG&E is also closely monitoring funding sources taking shape beyond the GRIP program, such as funding available through the DOE's Loan Program Office. PG&E notes that additional opportunities are still being defined. As more federal funding becomes available, PG&E is eager to work with the Commission and other stakeholders to secure additional resources for California.

Provide details about projects proposed for each grant and loan, including the cost range for each project

PG&E invites the Commission to review the attached concept papers, which describe PG&E's current thinking about project scope, costs, and objectives.

- Topic Area 1: Grid Resilience
 - Sierra Foothills Resilience Project (Undergrounding)
 - Central Valley Transmission Line Rebuild & Reconductoring
- Topic Area 2: Smart Grid
 - Grid Resilience Technology Deployment
 - Assessing & Demonstrating a Flexible VGI Framework for Resiliency *in partnership with WeaveGrid*

Identify any applicable CPUC, California Energy Commission (CEC), or other programs that may provide match funding for the project(s) identified

PG&E has not yet determined the programs that would be expected to provide matching funds and believes this is an important issue to explore in collaboration with the Commission as we develop our full applications to the GRIP program. It will be important for PG&E and the



Commission to develop an approach that allows matching funds to augment, rather than replace, already-authorized resources.

Explain how the proposed project(s) maps to existing state priorities, including electric and gas customer rate and bill reductions, safety improvements, reliability enhancements and greenhouse gas emission reductions

The attached concept papers submitted to DOE on December 16 articulate the alignment between project objectives and state priorities at a high level, and PG&E looks forward to providing greater detail in full applications.

Explain if the project is related to existing CPUC-authorized funding or cost recovery requests and whether the project has already been CPUC-approved. If funding has not yet been approved, explain how the project contributes to cost reductions for ratepayers

Concept papers include work that could be funded by CPUC-authorized cost recovery. PG&E's 2023 GRC, which is awaiting a proposed decision and will authorize revenues for the period 2023-2026, includes funding requests for PG&E's 10,000-mile Electric Distribution Undergrounding Proposal as well as Electric Distribution Capacity and Electric Distribution New Business programs. For PG&E's 10,000-mile Undergrounding Program, PG&E has proposed that cost recovery be subject to 2-way balancing account cost recovery treatment whereby any external funding obtained for this program would be credited to the benefit of customers through the account. For PG&E's Electric Distribution and Capacity Programs, PG&E's 2023 GRC forecasts, which were finalized in early 2021, would not provide the funding sufficient to meet today's and forecasted customer-driven demands. These programs are not subject to 2-way balancing account treatment; therefore, any external funding received for these programs would enable PG&E to execute projects at a higher rate than forecast in the GRC to the short and long-term benefit of customers. Regarding Electric Transmission Upgrades, any external funding obtained for such activities would be credited to the benefit of customers through the Transmission Owner Formula Rate Mechanism.

Identify if any proposed projects are in state-designated disadvantaged communities or on Tribal lands.

PG&E appreciates the DOE focus on disadvantaged communities and was deliberate about prioritizing such communities during the concept paper development process. PG&E consulted the Council on Environmental Quality's Climate and Economic Justice Screening Tool, as recommended by the DOE, to propose projects in communities designated as benefitting from the Biden Administration's Justice40 Initiative. The benefits to disadvantaged communities are described in section 2.4.1 of each attached concept paper.

Explain the coordination and outreach that has already been done with other stakeholders on these projects

PG&E worked closely with technology partners to develop concept papers for Topic Area 2. While PG&E submitted Topic Area 1 papers independently, these projects also reflect prior engagement with the communities and stakeholders impacted. PG&E plans to conduct much more rigorous outreach and collaboration with local community partners and other stakeholders when developing full applications. In the interest of reducing burden on partners and managing expectations at such an early stage, PG&E limited engagement for the concept paper phase.



PG&E did, however, identify projects where communities have previously requested and/or expressed desire for the work now being proposed in the concept paper.

PG&E again appreciates President Reynolds' and the Commission's encouragement and support in the endeavor to secure new resources to serve California. PG&E looks forward to working with the Commission in the weeks and months ahead to turn submitted concept papers into winning applications and, ultimately, the greatest possible benefit for California customers.

Sincerely,

A handwritten signature in black ink that reads "Patricia K. Poppe".

Patricia Poppe
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cc: Grant Mack, Director of Governmental Affairs, CPUC
Meredith Allen, Vice President, PG&E Regulatory Affairs
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