



December 20, 2022

Via Electronic Transmission Only

President Alice Reynolds
Commissioner Clifford Rechtschaffen
Commissioner Genevieve Shiroma
Commissioner Darcie Houck
Commissioner John Reynolds
California Public Utilities Commission

Re: Continuing Coordination on Federal Funding Opportunities in the Infrastructure Investment and Jobs Act of 2021

Dear President Reynolds, Commissioner Rechtschaffen, Commissioner Shiroma, Commissioner Houck, and Commissioner Reynolds:

In accordance with President Reynolds' November 28, 2022 letter regarding Infrastructure Investment and Jobs Act (IIJA) of 2021 – Federal Funding Opportunities, Bear Valley Electric Service, Inc. (BVES or Bear Valley) provides this letter describing areas where the California Public Utilities Commission (CPUC) may assist in the IIJA grant process and information on Bear Valley's specific projects.

On December 8, 2022, President Reynolds granted Pacific Gas & Electric Company and Southern California Gas Company their requests for extension of time from the original deadline of December 12, 2022 to December 23, 2022. President Reynolds also granted all other investor-owned utilities the same extension of time.

BVES offers the following recommendations on assistance that the CPUC may provide in the IIJA grant process:

- **Match-Funding Requirements:** Allow the Investor Owned Utilities (IOUs) to finance any of the capital improvement projects that require a 50% match commitment be recovered in rates as capital expenditures.
- **Tax Liability:** Allow the IOUs to establish memorandum accounts to track any tax liability from federal funding or grants and then recover in rates the amounts accumulated upon project completion via a Tier 2 Advice Letter.
- **Competitive in DOE Application Process:** CPUC staff provide IOUs with current Department of Energy (DOE) project priorities. Additionally, it would be beneficial for

CPUC staff to review IOU grant proposals and provide the IOUs feedback on the proposals. It would also be beneficial for the CPUC to arrange for the State to provide letters of support for the IOU grant proposals.

- **Tracking and Oversight to Ensure Reduced Costs to Customers:** Any grant funds received will reduce costs to customers mostly by offsetting capital expenses on the part of the IOU. The CPUC should allow the IOUs to establish memorandum accounts to track all expenditures associated with federal funding and grants, including tracking of Allowance for Funds Used During Construction (AFUDC) in situations where there is a lag between incurring construction costs and receipt of grant funding, and then recover in rates the amounts accumulated upon project completion via a Tier 2 Advice Letter. The Advice Letter would detail the actual federal funding and how the funding was utilized as well as provide full accounting of the project expenses incurred. This process would provide transparency on how funds were utilized to the CPUC and other interest parties.
- **Project Alignment with State Goals:** IOUs are working closely with CPUC staff in order to ensure projects are aligned with state goals and will continue to do so.
- **Any Other Regulatory Issues:** Other than authorizing the IOUs to track expenses associated with federal funding and grants as described above, BVES does not have any additional recommendations.

Specific project information is provided in the following attachments:

- Attachment A: Grid Hardening Projects
- Attachment B: Grid Automation Projects
- Attachment C: Battery-Solar Project

The Grid Hardening and Grid Automation projects are designed to significantly mitigate the potential of ignitions which cause wildfires with catastrophic loss of life and enormous loss of property. Grid Hardening Projects and the Battery-Solar Projects will also significantly reduce the need for Public Safety Power Shut-off (PSPS) and the impact of Southern California Edison (SCE) initiating a PSPS event affecting the supply lines to Bear Valley. Funding for the Grid Hardening and Grid Automation projects is currently being requested in Bear Valley's pending General Rate Case Application 22-08-010. While funding for the Battery-Solar Project has not yet been requested of the CPUC, this project contributes to cost reductions for ratepayers by reducing the overall capital expense for the projects and reduces reliance on the CAISO controlled grid. The solar and battery projects will qualify for an incentive tax credit (ITC) of 30 percent, which will be only for the customers benefit because it will reduce the overall capital expense for the projects to be recovered in rates, should the projects be approved. Any grant funds will also reduce the overall capital cost of the project. While the ITC would be smaller (due to the grant funding), the capital costs to be recovered in rates (70 percent of the overall cost) will also be lower. Additionally, over the life of the solar and battery projects, supply costs will be lower and the projects will provide at least a 25-year hedge for approximately 10 percent of BVES's energy portfolio.

Bear Valley's service area does not include any areas that are designated Disadvantaged Communities or Tribal Lands. At this stage, BVES's coordination with stakeholders at this point has been limited to informing local government and agencies and other key community stakeholders of the project scopes to begin to build consensus within the community.

Sincerely,

/s/ Paul Marconi

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