

STAFF REPORT

City Council Discussion Item

DATE: September 19, 2022

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, City Manager

SUBJECT: PG&E Inability to Provide Services to Eel River Valley

STAFF RECOMMENDATION:

Staff recommends that the Council receive an oral report from the City Manager regarding recent information from PG&E regarding its lack of ability to provide new service from Fortuna south throughout the Eel River Valley.

Following the report, it is recommended that the Council receive public comment, discuss the report and provide any desired direction. It is not anticipated that any representatives from PG&E will be available to answer questions.

DISCUSSION:

The City recently became aware of the inability of PG&E to provide new facilities with service both on city projects, and by speaking with developers with projects that have been denied service. The City initially became aware that PG&E was unable to provide services upon the completion of the Tesla battery backup system at the Kenmar lift station in January of this year. PG&E indicated that its substation was inadequate and the batteries could not be connected until improvements were made. In July, staff became aware that a request for an increased capacity service (1600 Amp) was requested for an existing building located on the former PALCO Mill Site (Mill Site), and was denied by PG&E. During the same period of time, staff was in the process of reviewing a proposed distribution facility at the Mill Site, that proposed a 3000 Amp service, and became concerned that PG&E may not be able to serve this development, despite PG&E's issuance of a "will serve" letter that indicated PG&E would serve the proposed project. Staff also was informed that developers in Rio Dell were also hearing from PG&E staff that it would not be able to serve new commercial customers.

In June of this year, staff inquired with PG&E as to whether or not it would actually be able to serve the proposed Mill Site development, and other projects in the City, given the known inability to serve other nearby projects. PG&E responded with uncertainty, and asked for time to analyze the situation. Staff continued to regularly request a meeting with PG&E, and to be briefed on the situation. A meeting was ultimately held on September 13th with the City Manager, Public Works Director and five representatives from PG&E.

At the meeting PG&E conveyed the following (summarized by staff, no information was provided in writing):

- Fortuna is served through three key substations including Newburg Substation, Carlotta Substation and Rio Dell substation. There are transmission lines serving the Eel River Valley that come from Cottonwood to the east, Eureka to the north and Laytonville to the south.
- The substations and transmission lines are at capacity and PG&E's ability to provide service to new customers is extremely limited and likely they not be able to connect new commercial customers with limited exceptions (where their modelling indicates pockets of capacity and load projections for new projects fit within the areas where capacity is available).
- PG&E is not currently passing as much current through its transmission lines as it used to, to avoid the generation of heat and voltage issues that could lead to starting fires.
- Over past several years, PG&E has continued to connect new customers within the Eel River Valley and Southern Humboldt County, in areas where the transmission lines were designed to pass through, but not provide the number of additional service connections that they are currently providing.
- PG&E estimates that once funding is available, it will take between 2-5 years to make the necessary upgrades needed to the substations and 7-10 years to make the needed upgrades to the transmission lines before capacity to allow new services can be provided. The anticipated cost of the needed upgrades is expected to be in excess of \$900M.
- PG&E continues to issue "will serve" letters to projects in progress, despite the fact that they may not be able to serve those business for many years.
- It is likely that much of the capacity left will be allocated projects that have already submitted service applications.
- PG&E has not planned for capacity for the natural growth of the cities in Humboldt County.
- The Cities in northern Humboldt County are not in the same situation as they have additional high capacity transmission lines from other locations.

City staff is concerned that PG&E's inability to provide service to the City Fortuna and Eel River Valley will greatly diminish the City's ability to grow, could impact critical infrastructure projects, housing projects, climate action plan measures, and negate many of the economic development efforts the city is working on.

Some of the projects that could be affected if PG&E cannot provide the needed power for Fortuna include:

- The City's required upgrades to its wastewater treatment plant could be delayed and lead to enforcement action and fines
- Recently approved multifamily housing, and future housing developments may be delayed, or canceled, further exacerbating the housing shortage
- New progress toward development at the Mill Site, which has sat vacant for decades, could be stopped and the site could again sit vacant for decades perpetuating blight in a large area of the city, and eliminating the potential for economic development.
- Projects such as the City's police facility could be delayed if power service is uncertain (although this is an upgrade and there may be capacity, as this is a smaller project)
- The development of the Strongs Creek Plaza area and Riverwalk areas could be delayed and business unable to build there.
- The push to electrify existing homes and vehicles to offset climate impacts of GHGs may not be possible. This includes the development of new electric vehicle charging stations.

- Businesses that demand power may locate in Eureka and Arcata instead of Fortuna.
- The City could see a stagnation in revenue as a result of diminished growth opportunities.

The City of Rio Dell is in a similar situation as the City of Fortuna and has been advocating for projects within their City since last March, that have not been served power. Rio Dell has filed a complaint with the CPUC and will be meeting with representatives from PG&E to discuss the situation on September 15th.

Staff have completed the following items to help mitigate the impacts of the situation including:

- Staff have communicated with developers with projects within the City that electrical service is questionable, to provide them an opportunity to reduce risks on their investment.
- We have also urged PG&E to communicate its inability to serve new customers, and modify its “will serve” letters to indicate the uncertainty of providing service and minimize the chance of developers incurring expense, without being able complete their projects.
- Staff have submitted a complaint to the California Public Utilities Commission (CPUC) regarding the situation and asked for a meeting to discuss PG&Es responsibility in this situation and look for solutions as to how it can be resolved.
- Staff have communicated with 2nd District Supervisor Bushnell, who has been briefed on the situation and is advocating with State elected officials for a response to the situation.
- Staff has requested that our City Attorney consider the situation and assist with a developing a formal complaint to the CPUC, or recommend other avenues to resolve the situation.

RECOMMENDED COUNCIL ACTION:

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Provide direction to staff as appropriate