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NATHAN J. MARTIN

September 27, 2022

Via U.S. Mail

California Public Utilities Commission President-Commissioner Alice Busching Reynolds 505 Van Ness Avenue San Francisco, CA 94102

Re: Complaint Regarding the Reallocation of PG&E's
Resources for New Residential Projects in the
Counties of Fresno and Madera

Dear Ms. Busching Reynolds:

I write to you on behalf of The Building Industry Association for the Counties of Fresno and Madera (the "BIA"), which is composed of more than 100 companies and individuals involved in developing residential housing in the Fresno/Madera area. This letter is also joined by the Building Industry Association of the Greater Valley, whose more than 100 members develop and construct Housing in the greater Stockton area.

Established in 1943, the California Building Industry Association, of which the BIA is a chapter, is a membership-based organization representing builders, developers, subcontractors, and affiliated businesses in the residential, commercial, and industrial building industry. The mission of the BIA is to cooperate with all branches of government and with other community organizations to promote housing affordability and economic development in Fresno and Madera

Counties. Our members employ thousands of California residents in high-paying jobs. The "ripple" impact of the wages earned by our employees spreads throughout California.

Development and construction of new residential housing serves several important purposes in Central California. First, building new houses helps meet the demands caused by California's ongoing housing crisis. The State of California has set ambitious goals for each area of the State to meet when it comes to the development of new housing. The impact of the Regional Housing Need Allocations is discussed in more detail below. Second, building new residential homes generates money for the local economies. Studies from the National Association of Home Builders show that, on average, construction of only 100 new homes adds \$30,000,000 to the economy of the location where the homes are built, creating 400 new jobs, and adding \$6,000,000 in annual revenue for local governments. The vast majority of the material suppliers and subcontractors who build homes for our BIA members are, themselves, local businesses. United States Chamber of Commerce studies show that every dollar spent in a local economy gets recirculated through that local economy 6-7 times. It is, therefore, difficult to understate the importance of the economic benefits that new home construction creates in the Central Valley.

But the new home industry in Central California, and especially in Fresno and Madera Counties, has come to a halt due to PG&E's limited pool of approved transformer suppliers and their inability to timely deliver transformers to BIA members' projects. The failure of PG&E to be able to either directly, or through approved suppliers, source and install transformers and then energize projects means that homes which have been finished cannot be energized and sold to local families. It also means local homebuilders are forced to make the difficult decision to slow down or even stop commencement of construction on new homes because even if the homes are timely finished, they cannot be powered up and sold – leaving the builder stuck with huge sums of capital expended and no clear idea of when to expect a return.

My clients' members have been experiencing significant problems with PG&E related to transformers for quite some time. These are the types of things they are experiencing:

- Transformer lead times:

Lead times for transformers from PG&E approved suppliers are being quoted in the 18-24 month range for standard-sized units and extended lead times for more specialized units. These leads times are for production builders. Lead times for the smaller builders, apartment developers, etc. is even more extended. The typical time it takes from breaking ground to being ready to close escrow is 9-14 months. Completion times vary based on inclement weather, labor shortages, and other factors. Nonetheless, even a "fast" development is looking at a very large gap in time between completing a project to having the transformers to energize it. This puts a huge financial strain on the builder and disincentives investment. One local BIA member has tabled two projects that were slated for 2023 and would have delivered nearly 100 new homes. Those homes cannot even be started until the builder gets a clear line in sight to deliver of transformers. Other

developers are running into the same issue, which exacerbates the ongoing housing shortage.

- Energizing the Tract Once Transformer Arrives:

Once the transformers arrive, PG&E still needs to energize the project and set the electric meters on the houses. Energizing requires a PG&E crew or third party PG&E-affiliated contractor to be scheduled to do this work. Getting these crews scheduled is still challenging, especially during heat waves, wildfires, etc. This is not about whether new home construction is more or less important than public safety. It is about a regulated public utility being consistently unable to plan for the clearly foreseeable (windstorms in the winter and fires in the summer). Consequently, even when the transformers arrive, getting the job energized still takes another few weeks to months. PG&E also struggles to communicate across departments internally once a project has been energized and individual houses have passed municipal inspection. When a home buyer is at risk of an expiring interest rate lock on their loan, especially when rates are rising, every day counts and builders lose precious time after the transformers arrive getting the project energized and then setting meters to get individual houses in a position to close.

- Impact on Home Buyers:

OPG&E's abject inability to approve a sufficient number of suppliers who can source and install the needed quantity of transformers continues to put a serious strain on homebuyers in the state. Potential buyers who cannot move into their homes because PG&E cannot energize them are having to extend leases – at record-high rents - on a month-to-month basis or find alternative, expensive short-term housing solutions. Homebuyers' mortgage rates are only locked by lenders for a specific period of time before expiring. If a buyer's house is delayed beyond the expiration date of the rate lock, the lock expires and the buyer has to re-apply for a new loan at present interest rates. In this environment of rates increasing, this forces the buyers to have to be re-qualified. Many buyers cannot qualify for the same loan at a higher rate or are uncomfortable moving forward because a higher rate means more debt and higher payments for the life of the loan. These problems also exacerbate the housing crisis.

- Lack of Long-Term Solutions & Urgency from PG&E:

o PG&E has offered some short-term solutions to the crisis, such as allowing a project to be partially-energized if only some transformers can be installed. However, there is no sense of urgency to find long-term solutions. PG&E reports it is working to bring on new transformer manufacturers, but the process is "months to years" long just for approval by PG&E, not to mention the

transformers actually being manufactured and delivered. Finally, once the transformers are delivered, BIA members have to wait months for PG&E to install them.

We think it is important to note the foregoing problems do not exist, either at all or with nearly the degree of severity, in areas served by other utilities, such as Southern California Edison or San Diego Gas & Electric. This is not speculation. Many of our BIA members build homes in more than one location and they have personal experience when saying Edison and SDG&E do not have nearly the same level of transformer problems as PG&E.

The BIA and its members have diligently tried to communicate with the Pacific Gas and Electric Company ("PG&E") regarding the transformer and new service connection issues that plague PG&E's operations related to new residential construction projects. Our members have watched as PG&E's level of service slowly and inexorably degrades to the point that finished homes throughout the Fresno/Madera area cannot be delivered to homebuyers because PG&E simply cannot manage the limited resources it has dedicated to new construction in this area. PG&E takes literally months to review simple designs which are prepared using PG&E's established standards. Following design approval, PG&E further delays the approval and installation of its own work, which only exacerbates the delays BIA members face in completing their portion of the utility work. Finally, when all work is done and projects are ready to be "heated up", PG&E delays assigning dates for power to be provided and then, routinely, postpones the actual provision of power on several occasions – often at the last minute.

Lack of transformers, and the resulting lack of power to the projects, prevents homes from closing escrow, which causes members of the home-buying public substantial emotional and financial damage. In addition to expiring rate locks, discussed above, homebuyers who have given notice at their apartments or arranged to sell their existing homes are left scrambling for shelter, moving arrangements are disrupted, and time taken off of work to pack and move is often forced to be repeated several times. Perhaps most importantly, the recurring delays from PG&E prevent the BIA and its members, as well as the municipalities in which we build homes for Central Valley families, from helping reduce the crushing housing shortage within the State of California.

During our discussions with PG&E, which have involved PG&E officials at the local and regional level, as well as the CEO, we have determined the best way to resolve our members' concerns involves a re-ordering of PG&E's priorities, which are dictated by the California Public Utilities Commission ("CPUC"), as related to allocating resources. The BIA has been informed that continuity of service, including storm repair, is the highest priority. Wildfire prevention and infrastructure safety upgrades comes in second. Pursuit of renewable energy and transmission grid upgrades is next, followed by large industrial projects, with general new business being last in priority.

The BIA is extremely concerned the CPUC would place new business last in priority for PG&E when the State Legislature and Governor have made it their priority to end the State's housing

crisis. The BIA believes that by placing new business last in priority, the CPUC is directly contributing to local counties and cities being unable to meet their Regional Housing Needs Allocation ("RHNA") as determined by the California Department of Housing and Community Development ("HCD").

For the reasons set forth below, we ask that the CPUC adjust PG&E's priorities to reflect the importance of providing utility service to new residential construction in the Fresno/Madera area, including (but not limited to) approving more transformer suppliers and heating up projects more quickly.

The Building Industry Association's Role in Helping Each County Meet Their Regional Housing Needs Allocations

The BIA's members develop and build residential housing in the Counties of Fresno and Madera, which are (respectively) located in PG&E's Fresno/Kern Division and PG&E's Madera/Yosemite Division. In 2021, private developers pulled building permits for new residential housing with a cost of over \$735 million dollars within the County of Fresno alone. (2021 CIRB Report for Fresno County.) In the County of Madera, well over \$1 billion in housing is completed annually by BIA members to help the Counties meet their RHNAs.

To give some perspective on the allocation to each individual County, the County of Fresno's 2013-2023 RHNA detailed a total of 41,470 housing units were allocated to the County to be built by 2023. This means that approximately 4,147 units need to be built every year to meet the allocation. (Fresno Multi-Jurisdictional 2015-2023 Housing Element, § 3-2, at p. 97.) The County of Madera's 2014-2024 RHNA that 12,895 units housing units were allocated to the County, with 1,289 units needing to be built every year to meet its allocation. (Madera County 2016-2024 Housing Element Update, § 3-3, at p. 59.)

The BIA is an integral part in meeting the RHNAs for both Counties, as the members of the BIA consist of all of the major developers in the community, as well as specialty trade contractors, engineers, and those who provide ancillary services. As such, BIA members are on the "front lines" when it comes to dealing with PG&E to provide service connections to new residences. Further, because a substantial portion of the housing the BIA develops sells for under the State median price, the majority of the homes the BIA builds are disproportionately delivered to people of color and those who are under-served.

The Department of Housing and Community Development's Regional Housing Needs Allocation for the Counties of Fresno and Madera

Since 1969, California has required all local governments adequately plan to meet the housing needs of everyone in the community. However, since that requirement has begun, California has slowly slipped into a major housing crisis. In 2019, Governor Newsom signed Senate Bill 330, known as the Housing Crisis Act of 2019, into law to respond to the soaring housing crisis. The Housing Crisis Act of 2019 was part of the Governor's pledge to create 3.5 million new housing

units by 2025. In 2021, Governor Newsom, as part of his "California Comeback Plan," signed new bills that would lead to over \$1.75 billion in affordable housing funding for the new California Housing Accelerator and require local governments to plan for the creation of more than 2.5 million units statewide, more than doubling their obligation under the previous RHNA cycle (5th Cycle).

Table 1, below, shows that 41,470 housing units were allocated to the County of Fresno during its 2013-2023 RHNA. In 2021 alone, the BIA delivered approximately 2,800 new residential units, the vast majority of which were considered to be low to moderate housing units by income level.

Table 1 2013-2023 Regional Housing Needs Allocation by Jurisdiction Fresno County								
Jurisdiction		Total						
	Extremely Low	Very Low	Low	Moderate	Above Moderate	Housing Units		
Clovis	1,160	1,161	1,145	1,018	1,844	6,328		
Coalinga	75	75	115	123	201	589		
Firebaugh	64	64	169	204	211	712		
Fowler	61	62	83	75	243	524		
Fresno	2,833	2,833	3,289	3,571	11,039	23,565		
Huron	43	44	107	106	124	424		
Kerman	119	119	211	202	258	909		
Kingsburg	56	57	70	60	131	374		
Mendota	40	40	56	77	341	554		
Orange Cove	55	56	86	105	367	669		
Parlier	55	55	82	77	319	588		
Reedley	196	197	204	161	553	1,311		
San Joaquin	51	52	36	35	204	378		
Sanger	156	156	175	163	568	1,218		
Selma	70	70	115	69	281	605		
Unincorporated County	230	230	527	589	1,146	2,722		
Total County	5,264	5,271	6,470	6,635	17,830	41,470		

Table 2, below, shows that 12,895 housing units were allocated to the County of Madera during its 2014-2024 RHNA. Again, in 2021 alone, the BIA delivered approximately 531 new residential

Table 2 2014-2024 Regional Housing Needs Allocation by Jurisdiction Madera County								
Jurisdiction		Total						
	Very Low	Low	Moderate	Above Moderate	Total Housing Units			
Madera	1,352	1,056	1,091	2,600	6,099			
Chowchilla	253	190	204	467	1,114			
Unincorporated County	1,285	984	1,015	2,398	5,682			
Total County	3,040	2,135	2,314	5,406	12,895			

Table 3, below, details that, as part of Governor Newsom's "California Comeback Plan," Fresno County is slated to have approximately 58,298 new housing units allocated to it in the next Cycle. That is an *increase* of 16,828 new housing units since the previous Cycle. BIA members will be the leading developers in the construction of these new housing units, communicating directly with PG&E to energize these homes. While no new RHNA assessment for the County of Madera has been released, a similar allocation increase is expected, with the BIA again by far leading the development of low to medium income housing.

Also passed in 2021 was Assembly Bill 215, which gave the HCD additional enforcement authority for local agency violations of specified housing laws, and increases public review for housing elements, a required component of long-range General Plans. With this additional authority, the HCD created the Housing Authority Unit ("HAU"), which in turn is able to initiate an enforcement action against a local jurisdiction for housing element noncompliance.

The reason this is so important stems from the fact that PG&E's extreme delays in timely connecting new services to BIA residential projects effects the Counties' ability to meet their allocations under the current (and succeeding) RHNAs. Failure of the Counties, and the smaller municipal units therein, to meet their RHNA needs, leaves them vulnerable to having legal action taken against them by the HAU and/or community organizers. The City of Clovis is currently facing just such a lawsuit. (https://www.fresnobee.com/article249982694.html.) While there is no guarantee this will happen, the fact the CPUC is the core reason as to why PG&E allocates its resources away from new residential projects, an issue so important to the State Legislature and Governor, will most certainly be raised as part of any ensuing litigation.

Table 3
January 2021 Revised Allocation for
the 2023-2031 Regional Housing Needs Allocation by Jurisdiction
Fresno County

Jurisdiction	September Subcommittee Approved Allocation	January Updated Allocation (Revised Methodology and Final Determination)	Allocation Change: September-January	
Clovis	9,179	8,759	(420)	
Coalinga	583	552	(31)	
Firebaugh	459	432	(27)	
Fowler	348	331	(17)	
Fresno	39,792	35,972	(3,820)	
Huron	336	311	(25)	
Kerman	1,102	1,037	(65)	
Kingsburg	904	861	(43)	
Mendota	668	626	(42)	
Orange Cove	478	458	(20)	
Parlier	767	715	(52)	
Reedley	1,507	1,428	(79)	
San Joaquin	1,559	1,458	(101)	
Sanger	207	195	(12)	
Selma	1,554	1,456	(98)	
Unincorporated County	3,857	3,707	(150)	
Total County	63,300	58,298	(5,002)	

The California Public Utilities Commission Dictates Pacific Gas and Electric Company's Resource Allocation

When a California constitutional amendment renamed the Railroad Commission to the California Public Utilities Commission in 1946, the CPUC was given *carte blanche* regulatory authority over the public utilities within the State. Currently, the CPUC directs PG&E as to the priorities it should follow when allocating resources. The BIA is no way minimizing the need or importance of wildfire prevention and infrastructure safety upgrades. The BIA is also not disregarding the importance of pursuing renewable energy and upgrading the State's transmission grid, as new residential homes will be at the forefront of needing these resources.

The BIA, however, believes California residents in general, and residents of the Counties in particular, would be better served with new residential projects taking a higher priority in PG&E's allocation schedule. The residential housing industry in Fresno/Madera is an industry which generates over \$1 billion in annual new home sales – yet the CPUC's prioritization of PG&E's resources treats new home construction as having no higher a priority than providing

power to a new fast food restaurant. The CPUC has the power, however, to expedite the reallocation of PG&E's resources to new residential projects (including, but not limited to, sourcing, delivering, and installing transformers) because the CPUC's current allocation does not allow the Counties, and the cities of Fresno and Madera, to meet the requirements under the Governor's "California Comeback Plan," resulting in the Counties' residents being kept out of desperately-needed homes.

The Reallocation of Pacific Gas and Electric Company's Resources to New Residential Projects

Since the CPUC dictates PG&E's resources, the BIA believes new residential projects should take a higher priority and the CPUC should reallocate PG&E's resources immediately. Considering that new residential projects in the Counties are part of an industry which generates over \$1 billion dollars every year, and new housing units are a critical part of the State's expressed public policy, the BIA believes the Counties' residents would be better served with more homes rather than a new warehouse or similar industrial project.

Further, the reallocation of PG&E's resources will help each County (and each City therein) achieve their RHNA allocations, thereby meeting the goals of the State Legislature and the Governor of delivering more housing units in California. Also, with PG&E prioritizing new residential projects, it will simultaneously help provide homes to the thousands of people whom have lost homes due to fires caused by PG&E's equipment. The CPUC has the authority to immediately dictate PG&E's reallocation of its resources in order to ensure that new residential projects are connected and energized in a timely and reasonable manner.

Conclusion

The delays experienced by BIA members in getting PG&E to deliver and install transformers and energize their projects are shameful. These ongoing delays adversely impact the Counties and the local residents themselves. The BIA implores the CPUC to aid the BIA's desire to help "California Comeback" and provide homes to local residents. The BIA challenges the CPUC to put the needs of the Counties' residents before more industrial development and the noble but long-term pursuit of more renewable power. Families who cannot move into their homes will not understand why the CPUC placed more emphasis on a wind farm or yet another Amazon distribution center. Frankly, but respectfully, the BIA demands the CPUC reallocate PG&E's resources to ensure that PG&E can timely provide and install transformers, and connect new service, to residential projects in the Fresno/Madera area.

This issue is critical enough to the residents of the Counties, and the BIA's members, that we have taken the deliberate step of copying this letter of complaint to the elected officials and other government representatives identified below. We invite them to share with you their frustration with PG&E and their endorsement of our request.

We look forward to your action in regards to this matter.

Very truly yours,

Kurt F. Vote

WANGER JONES HELSLEY PC

KFV/kd

cc: State of California

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