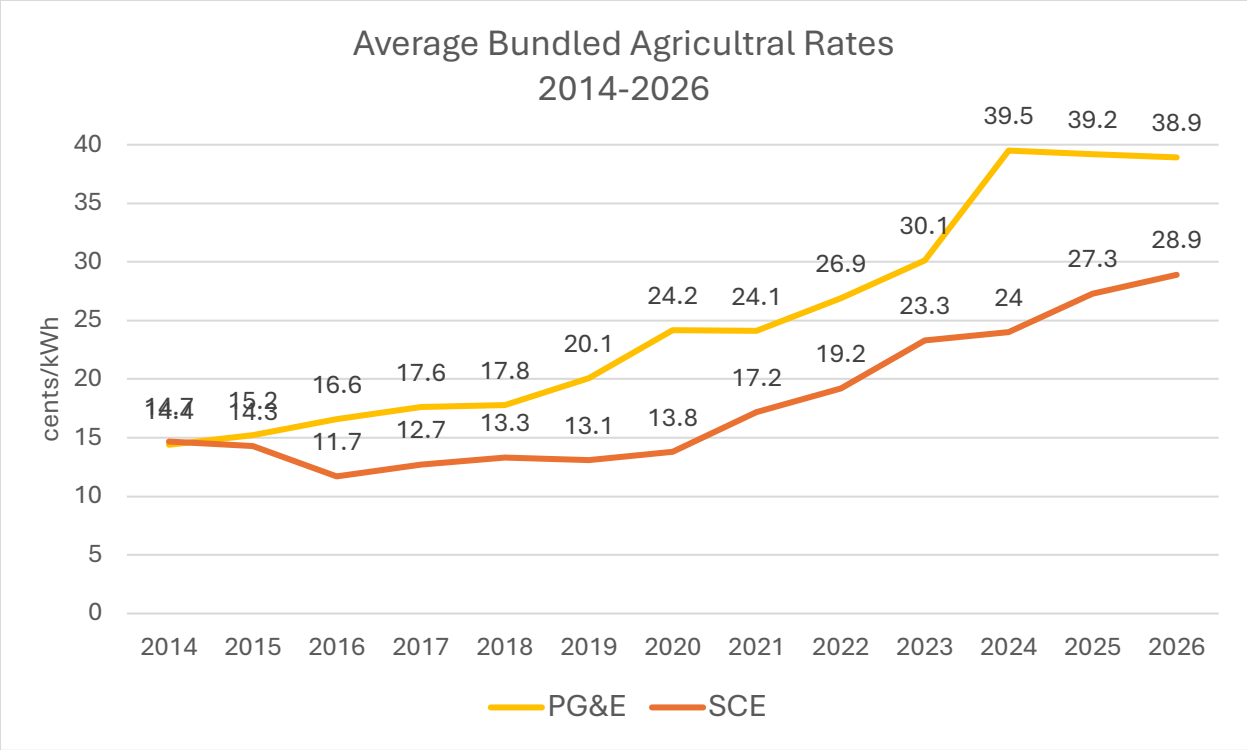
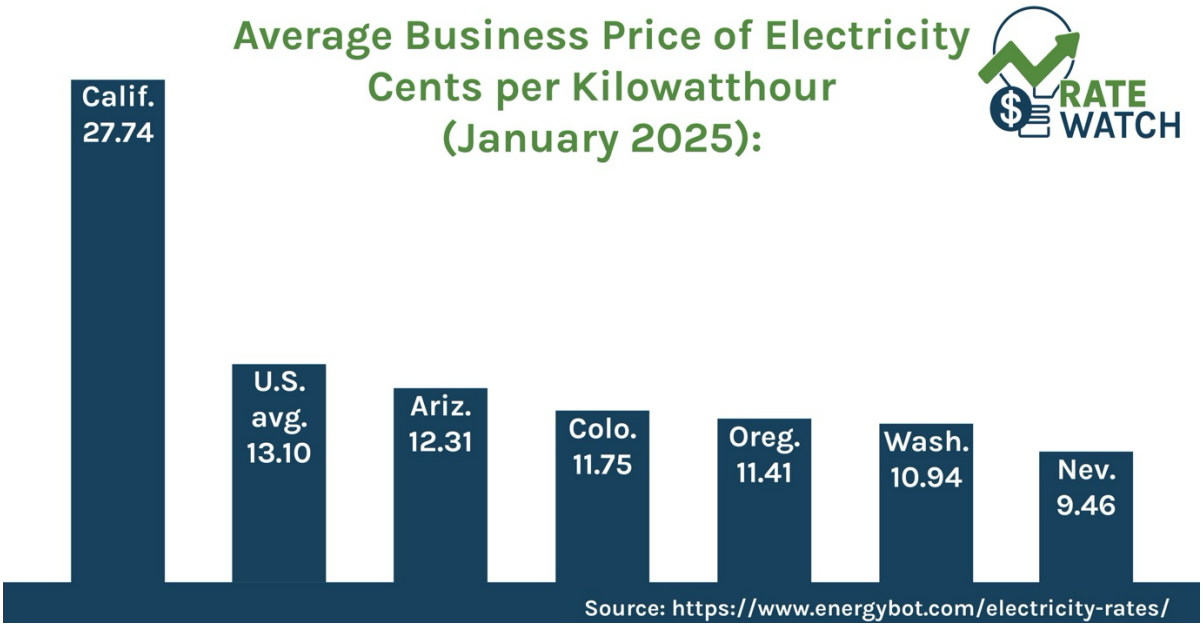
Agricultural energy brief

Energy rates in California have reached an affordability crisis, more than doubling in just the past 12 years. Rates are expected to go far higher, increasing over 40% more in PG&E's service territory. The same is true for agricultural and water pumping rates which have risen far faster than inflation as depicted below:



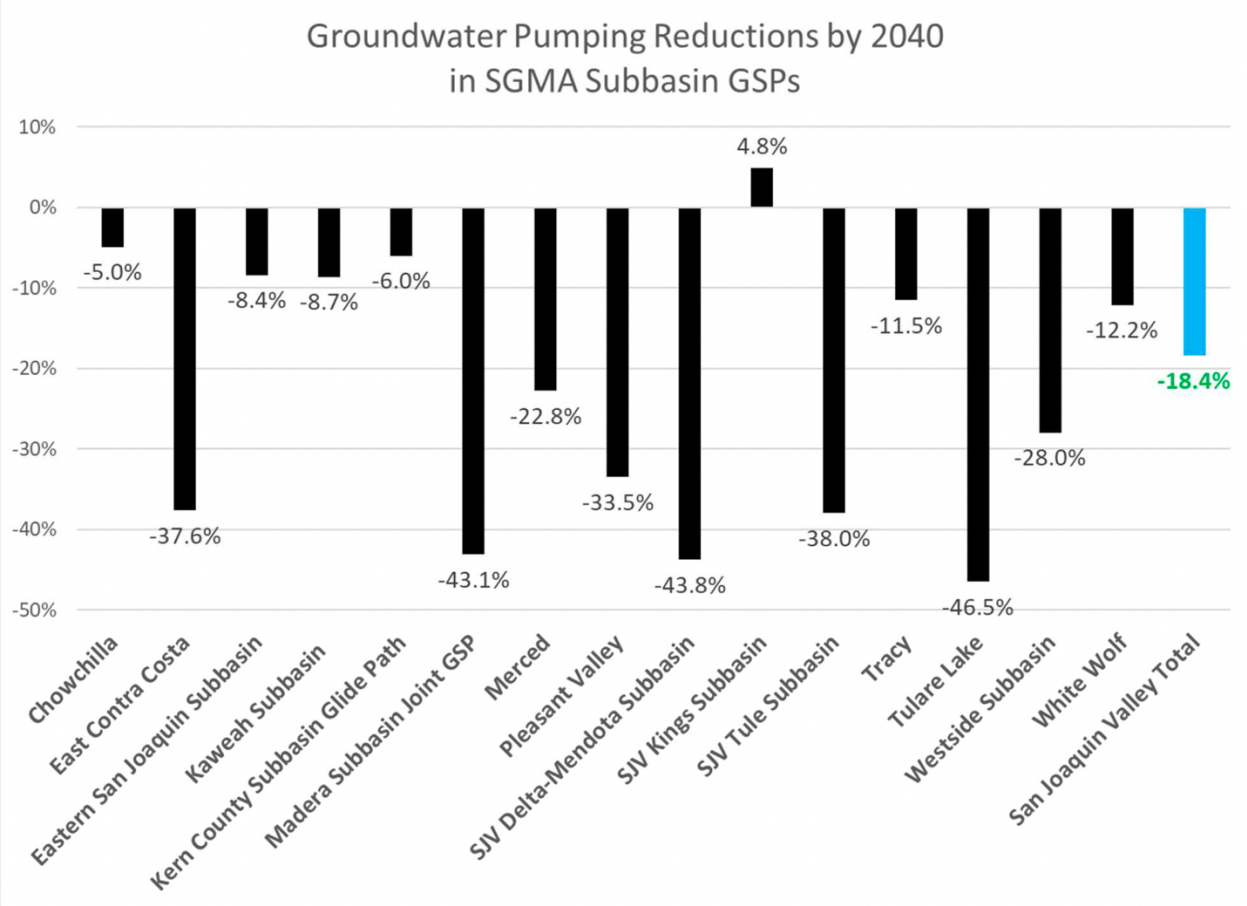
Rates in California are more than double the national average and far outpace rates paid by farming and food production customers in other western states.



Rates in California are being driven by a host of factors, including, but not limited to the following:

- Wildfire liability and mitigation
- Renewable energy and other mandates
- Building and electric vehicle electrification
- Excessive utility profits

These cost drivers will require hundreds of billions of dollars in new transmission, distribution, and generation investments to serve a rapidly growing electricity grid. However, this rapid expansion is not being driven by agricultural and food production customers whose electricity usage is expected to decline due to reductions in water pumping as a result of continued implementation of the Sustainable Groundwater Management Act (SGMA). As a direct result of mandated reductions in groundwater use and pumping, agricultural production loads could decrease by over 18%. This reduction is consistent with expected significant fallowing of up to one million acres of productive farmland in the Central Valley. See below.



It will be important for the state to take these reductions in agricultural energy use into account as it forecasts load growth and allocates grid expansion costs to utility customers.

It should also be noted that agricultural customers are not driving wildfire liability or mitigation costs and should not be paying for these expenditures. In fact, agricultural lands act as a highly effective buffer against wildfire expansion and damage. Unless addressed, rising agricultural and food production electricity rates will continue to drive agricultural business from the state. Equally important, high agricultural and water pumping rates will make it difficult to expand groundwater recharge and other local water projects designed to mitigate land fallowing caused by SGMA and increasing water scarcity. Finding cost effective solutions for individual farms and ag water agencies will prove critical as the industry deals with increasing water scarcity and rising regulatory burdens and costs.