

DOCKETED

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AO Smith comments on the Draft 2025 California Building Energy Action Plan

Additional submitted attachment is included below.



February 20, 2026

California Energy Commission

Re: Docket [23-DECARB-03](#)

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Re: Public Workshop on Staff Workshop on the Draft 2025 California Building Energy Action Plan

Dear Commissioner McAllister and California Energy Commission Staff,

A. O. Smith Corporation (“A. O. Smith” or “Company”) appreciates the opportunity to submit comments in response to the January 29, 2026, Staff Workshop on the Draft 2025 California Building Energy Action Plan (“Draft Plan”).¹ A. O. Smith sincerely values the California Energy Commission’s (“CEC”) commitment to creating a plan that will pragmatically support California’s electrification and greenhouse gas (“GHG”) reduction goals through building decarbonization.

I. About A. O. Smith

A. O. Smith Corporation, with global headquarters in Milwaukee, Wisconsin since 1874, applies technology and energy-efficient solutions to products manufactured and marketed worldwide with operations in the U.S., Canada, China, India, Mexico, and the UK. Listed on the New York Stock Exchange (NYSE: AOS), the Company is one of the world’s largest manufacturers of residential and commercial water heating equipment and boilers, as well as a leading manufacturer of water treatment and air purification products. Along with its wholly owned subsidiaries, A. O. Smith is the largest manufacturer and seller of residential and commercial water heating equipment, high efficiency residential and commercial boilers, and pool heaters in North America.

II. Comments

A. O. Smith is grateful for the opportunity to provide feedback on the Draft Plan and commends the CEC for its continued leadership in advancing pragmatic building electrification and California’s broader decarbonization goals.

As outlined in the 2022 Scoping Plan, achieving carbon neutrality by 2045 will require transitioning away from fossil gas, particularly in the building sector, by prioritizing energy efficiency and accelerating the replacement of gas-fired appliances with non-combustion alternatives.² Accordingly, innovative technologies that facilitate and advance this transition, especially heat pump water heaters

¹ CEC. [Draft 2025 California Building Energy Action Plan](#). December 2025.

² California Air Resources Board. [2022 Scoping Plan for Achieving Carbon Neutrality](#). December 2022.

(HPWHs), have an integral role to play. The Company appreciates the CEC’s steadfast support for HPWHs and looks forward to continued collaboration. Accordingly, A. O. Smith offers its response to reinforce the importance of the following components identified by the CEC as central to a durable and effective building decarbonization strategy:

- The critical role of heat pump water heaters in achieving California’s building decarbonization goals;
- Sustained and targeted investment to meaningfully advance building decarbonization;
- Establishing long-term market certainty to enable manufacturers to scale production; and
- Expanding homeowner and building owner, incentives, education and outreach to drive greater awareness and technology adoption.

A. Heat Pump Water Heaters Are Uniquely Positioned to Deliver Immediate and Scalable Decarbonization to California’s Building Sector.

The Draft Plan asserts that efficient electrification of existing buildings will be a primary driver of California’s GHG reductions. Specifically, staff’s modeling highlights that while the state’s goal for doubling energy efficiency savings by 2030 will be met (SB 350 (De Leon, 2015)), that state is not yet on track to achieve its GHG reduction goals as outlined in AB 3232 (Friedman, 2018). To remedy this, it appears that greater work will need to be done to transition to electric solutions.

Given the need for accelerated progress, HPWHs have an essential role to play in reducing building emissions. As the Draft Plan highlights, *“The primary technological pathway to achieve the necessary GHG reductions in the building sector is clear — efficient, electric heat pumps that leverage carbon-free electricity must replace fossil fuel equipment as the primary means of providing space and water heating.”*³ As heat pumps shift away from natural gas fuel use to electricity, they are able to not only deliver large energy savings but also reduce emissions. As the state works to address energy affordability concerns, expanding deployment of these high-efficiency technologies can help lower energy bills and help grid resilience, while generating the needed progress towards California’s climate goals.

HPWHs are particularly well-suited for existing building retrofits as drop-in replacements since they provide large emissions reductions with high efficiency and low electrical demand, while only requiring minimal panel or structural upgrades. Given that 94% of single-family homes in California have a gas water heater,⁴ HPWHs can provide a critical electrification pathway for these existing homes and thereby generate the emissions reductions needed to create progress towards our climate goals. A. O. Smith is encouraged by the CEC’s support for HPWH technology in the Draft Plan as well as staff’s recognition that innovative technologies of this class will be critical to realizing our ambitious climate goals.

³ [Draft 2025 California Building Energy Action Plan](#). Pg. 1.

⁴ California Energy Commission. [2019 California Residential Appliance Saturation Study \(RASS\)](#), July 2021 at Table 4. (Note: This is the most recent data published by the CEC)

Additionally, HPWHs and grid-interactive electric storage water heaters offer the ability to provide energy storage (e.g., thermal storage serving as a battery) for assisting the integration of renewable energy into local distribution grids in both residential and commercial applications. Flexible demand [or smart] water heaters, which include grid-enabled electric resistance storage water heaters and HPWHs, have additional controls that allow the utility or third-party aggregator to control their energy use (e.g., load shifting) during the course of the day. Within a given local territory, a fleet of water heaters can be controlled to be a flexible energy storage system that can adjust the load on the grid. Given that every home in the state has a water heater, smart water heaters can play a key role in load management and carbon reduction within the built environment. For this reason, A. O. Smith is appreciative of staff's recognition that innovative technologies like grid-interactive HPWHs can play an important role in increasing load flexibility.

B. Accelerating Building Electrification Requires Sustained and Targeted Investment.

While electrification is critical to meeting California's climate goals, CEC staff estimate that electrifying a single home costs approximately \$20,000, posing a significant affordability challenge.⁵ In the case of heat pumps, CEC staff highlight that upfront costs continue to be one of the largest barriers to adoption. Therefore, without sustained and targeted investment, cost barriers will persist and adoption will remain uneven and inaccessible for most Californians. As a result, the pace of emissions reductions in the building sector will fall short of generating the progress needed to achieve the state's goals.

For this reason, we strongly support the CEC's primary recommendation to prioritize funding and incentives aimed at directly achieving GHG reduction targets.⁶ A. O. Smith has been an active participant in key programs in California that support this goal, such as TECH Clean California, which has been instrumental in providing incentives to drive market adoption. The Company is encouraged to see the Commission's recognition of the program's instrumental role in expanding the deployment of HPWHs and other heat pump technologies across the state. The Company also reiterates its support for the CEC's Equitable Building Decarbonization Program and the funding for the Statewide Direct Install Program. With a limited pool of contractors in California currently trained and experienced in HPWH installation, initiatives that provide direct installation and workforce development will be critical to expanding market capacity and reducing adoption barriers, especially for low- and moderate-income customers. Investments of this nature will help accelerate deployment, improve installation quality, and help ensure that the benefits of efficient electrification are realized at scale.

In summary, it is critical that the CEC consider the economic impacts of retrofitting millions of households and commercial buildings and the need for sustained programs and incentives for property owners and businesses. Consistent, long-term funding for greenhouse gas reduction programs is essential to help California residents make informed purchasing decisions and support widespread

⁵ [Draft 2025 California Building Energy Action Plan](#). Pg. 12.

⁶ Ibid.

adoption of key electrification technologies. Durable investment signals also provide manufacturers with the certainty needed to scale production and lower costs, aligning both supply and demand to meet the state's emissions reduction goals.

C. The Importance of Providing Manufacturers with Business Certainty

California has made meaningful progress in deploying heat pumps and HPWHs. As highlighted in the staff's presentation on the Draft Plan, to date there are approximately 2.3 million heat pumps installed in the state.⁷ This is real progress, and A. O. Smith is proud to contribute to this effort and remains committed to expanding HPWH deployment statewide.

It is important to note, however, that the current pace of installation—while significant—indicates that additional effort will be needed to reach Governor Newsom's goal of 6 million new units installed by 2030.⁸ Achieving the scale required to meet California's decarbonization objectives will necessitate substantial investment by manufacturers to expand production capacity, with corresponding supply-chain implications. As manufacturers plan for this growth, a clear and durable market framework will be essential to demonstrate the state's long-term commitment to heat pump technologies. Clear market signals will, in turn, provide manufacturers with the market certainty needed to make the large-scale, forward-looking investments required to increase manufacturing capacity at this unprecedented scale.

D. Streamlining the Process for Electrifying Existing Buildings Is Essential.

To incentivize the installation and adoption of HPWHs at the level needed to achieve the state's goals, California's programs must be not only well-designed but also streamlined and straightforward for homeowners, property owners, and most importantly, contractors, to navigate. As discussed above, the state has made significant strides in establishing incentive programs that support fuel switching from gas to electric water heaters. Ensuring that any programs remain simple, accessible, and easy to use will be essential to maximizing participation and achieving building decarbonization at scale. For this reason, A. O. Smith is encouraged specifically by the CEC's Statewide Direct Install Program since it will help streamline the customer and contractor experience.

The Draft Plan correctly identifies, however, that additional areas for streamlining remain. In particular, staff observes that HPWH permitting timelines can extend up to six days, which creates a significant obstacle for two primary reasons: (1) like-for-like gas replacements are often completed with same-day permits, and (2) customers facing emergency replacements typically cannot accommodate multi-day delays. Without addressing these challenges, homeowners and property owners are more likely to default to familiar like-for-like replacements, which will slow electrification efforts and undermine the state's building decarbonization objectives. For these reasons, it is imperative that

⁷ CEC. [2025 California Building Energy Action Plan Second Public Workshop](#). January 29, 2026. Pg. 8.

⁸ [Draft 2025 California Building Energy Action Plan](#). Pg. 115.

incentive programs continue to be designed in such a way to reduce permitting delays and thereby make it easier for homeowners, property owners, and contractors to embrace this high efficiency technology.

Additionally, staff correctly point out that greater outreach and education is required to help building owners and occupants choose decarbonization solutions, including in emergency replacement situations. The Draft Plan's recommendation that the state "*empower homeowners and building owners with decision-making resources*"⁹ will be critical to ensuring that customers are aware of available programs and have a clear pathway to participate. Streamlining access to these programs and processes will lower barriers to entry and create meaningful opportunities to accelerate heat pump adoption.

Conclusion

A. O. Smith is committed to advancing California's efforts to decarbonize its building stock in a cost-effective, pragmatic, and efficient manner. A. O. Smith values the CEC's leadership and appreciates the opportunity to provide feedback on the Draft 2025 California Building Energy Action Plan. The state has made great progress since the previous Energy Action Plan and A. O. Smith stands ready to support the achievement of California's greenhouse gas reduction and energy efficiency goals.

Please feel free to contact me if you have questions.

Best Regards,



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⁹ [Draft 2025 California Building Energy Action Plan](#). Pg. 13.