

DOCKETED

Docket Number:	23-DECARB-03
Project Title:	2025 California Building Energy Action Plan
TN #:	269413
Document Title:	Draft California Building Energy Action Plan
Description:	N/A
Filer:	System
Organization:	Nicole Looney
Submitter Role:	Public Agency
Submission Date:	4/3/2026 4:42:57 PM
Docketed Date:	4/3/2026

*Comment Received From: Nicole Looney
Submitted On: 4/3/2026
Docket Number: 23-DECARB-03*

Sacramento Municipal Utility District's Comments on the Draft California Building Energy Action Plan

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Additional submitted attachment is included below.



April 3, 2026

Docket Office
California Energy Commission
715 P Street
Sacramento, CA 95814

RE: Sacramento Municipal Utility District's Comments on the Draft *California Building Energy Action Plan*

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide comments on the California Energy Commission's (CEC)'s draft *California Building Energy Action Plan*. SMUD is a local publicly owned electric utility serving approximately 673,000 customer meters, or a population of about 1.5 million, in Sacramento County and small adjoining portions of Yolo and Placer Counties.

SMUD's Zero Carbon Plan established an ambitious goal of removing all greenhouse gas (GHG) emissions from SMUD's power supply by 2030, working within the guardrails of reliability and affordability. SMUD's plan also recognized the important GHG reduction, air quality benefits, and potential customer savings provided by electrification, and accordingly SMUD has set an aspirational target to electrify the equivalent of 154,000 homes by 2030. As part of its strategy to achieve this goal, SMUD has made significant investments in customer programs and incentives; education, outreach, and marketing; and partnerships to advance regional and statewide market transformation. As of March 2026, SMUD's incentives have supported over 23,000 heat pump installations within its service territory.

SMUD thanks CEC staff for their significant efforts developing the draft action plan and agrees with many of its recommendations, particularly regarding the importance of efficient electrification and the need for affordable financing options. SMUD supports the comments filed by the Joint Public Agencies¹ on February 20, 2026, and offers the following additional comments:

- Continuous, stable incentives are needed to drive near-term customer adoption of electrification measures.
- Effective load flexibility strategies may vary based on individual utilities and the customers they serve.

¹ See SCPA, NCPA, CMUA, *Joint Public Agencies Comments on the 2025 California Building Energy Action Plan*, February 20, 2026, at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=268752&DocumentContentId=105910>

- The final *California Building Energy Action Plan* should identify priority near-term recommendations to advance building decarbonization.

SMUD's comments are further detailed below.

Continuous, stable incentives are needed to drive near-term customer adoption of electrification measures.

SMUD's service area is well-positioned for cost-effective electrification due to multiple factors, including the regional climate, SMUD's low electricity rates, SMUD's suite of programs and incentives, and the relatively large energy savings potential for many buildings in the region. SMUD's third-party evaluation, measurement, and verification reports have confirmed that the average residential customer can save more than \$500 annually when converting gas space and water heating to efficient electric heat pumps due to a net decrease in annual energy bills (natural gas and electricity). To help address upfront cost barriers, SMUD currently offers residential customers up to \$3,000 in incentives for heat pump HVAC conversions, up to \$4,000 for heat pump water heaters, up to \$750 for induction cooktops, and up to \$2,000 for additional circuit installations and panel upgrades.² Commercial customers can access up to \$250,000 for electrification incentives, plus additional infrastructure support incentives. SMUD has additionally built a large network of trained and vetted contractors who provide customers with helpful information about electrification options, perform high-quality installations, and, for many of SMUD's programs, are responsible for the incentive application process.

Based on SMUD's experience, predictable incentives remain critical for driving near-term adoption of heat pumps and electrification measures. Both contractors and customers need assurance about the availability and value of incentives in order to provide accurate financial estimates and support a decision on whether to install electric equipment. This, in turn, requires stable sources of funding to support these incentives. SMUD's own program budgets are finite and are not sufficient to support the full regional need for efficient electrification, but SMUD nonetheless works diligently to provide incentive continuity through proactive planning, engaging contractors early about potential changes, and ensuring that comprehensive and accurate marketing information is available for customers.

The addition of state and federal funding, like TECH and HEEHRA, has boosted heat pump adoption in SMUD's service area and presents an important opportunity to extend the range of incentive programs. For example, since these programs have generally stacked with SMUD's incentives, there is a potential for SMUD to adjust incentive levels downward where appropriate – enabling SMUD's limited budgets to reach more customers and maximizing the value of public funding. However, the recent start-and-stop nature of state and federal funding has posed challenges for

² For income-eligible customers, SMUD offers no-cost direct installations of energy efficiency and electrification measures.

this type of incentive calibration. SMUD understands it has also led to challenges and confusion for contractors and customers. SMUD therefore urges the CEC to recognize, within the final action plan, the importance of continuous state funding for predictable incentives *and* the need for ongoing coordination with contractors and administrators of complementary utility programs regarding potential funding changes.

The most effective load flexibility strategies may vary based on individual utilities and the customers they serve.

SMUD is embracing load flexibility as an important strategy that has the potential to reduce system costs, save customers money, and reduce greenhouse gas emissions. However, the realization of these benefits depends crucially on customer adoption and satisfaction, the value proposition for both the customer and the utility, and the extent to which load flexibility interventions deliver predictable, reliable load reductions during peak periods without creating secondary peaks. Moreover, without careful implementation, load flexibility initiatives risk exacerbating grid challenges, increasing costs, and harming customers.

While dynamic rates represent one load flexibility strategy with the potential to reduce real-time energy costs, simple programmatic approaches with consistent results may provide greater benefits for individual utilities in the form of avoided resource adequacy or distribution system upgrade needs. The most effective approach to load flexibility may vary based on individual utilities' cost structures, market participation, geographies, load shapes, bulk or distribution system needs, and customer priorities. SMUD therefore recommends that the final action plan recognizes the importance of tailored implementation based on specific utility and customer needs, rather than identifying dynamic rates as the gold standard for load flexibility.

The final *California Building Energy Action Plan* should identify the highest priority near-term recommendations to advance building decarbonization.

SMUD appreciates the thorough and comprehensive assessment of building energy issues described in the draft action plan, as well as the multitude of recommendations that it offers. However, given the current resource-constrained environment, SMUD encourages the CEC to narrow its focus on specific priorities that advance near-term customer adoption of electrification measures, which in turn is needed to drive broader market transformation. In particular, SMUD encourages the CEC to prioritize interventions that make heat pumps more accessible to customers, such as ongoing funding for predictable incentives, affordable financing mechanisms, and panel optimization strategies.

Conclusion

SMUD appreciates the opportunity to provide these recommendations and looks forward to continued collaboration with the CEC on advancing customer-friendly building decarbonization.

/s/

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cc: Corporate Files (LEG 2026-0044)