From: Beck, Amber@Energy
To: Collopy, Christine@Energy; Ashuckian, Dave@Energy; Geiszler, Eurlyne@Energy; Shirakh, Maziar@Energy; Strait, Peter@Energy; Lee, Simon@Energy
Cc: Saxton, Patrick@Energy; Mack, Grant@Energy; Sinsley, Lori@Energy
Subject: FYI: Voice of SD Title 24 lighting story
Date: Monday, December 01, 2014 3:40:42 PM

FYI - not sure if you saw this in the clips before the break. This is the Title 24 lighting story that we worked on for several days before the Thanksgiving holiday. The reporter spoke with Peter, Simon and Mazi. We also directed her to call Kelly Cunningham at the California Lighting Technology Center.
Amber

Businesses Are in the Dark on New Lighting Rules
http://voiceofsandiego.org/2014/11/25/businesses-are-in-the-dark-on-new-lighting-rules/

By: Lisa Halverstadt | November 25, 2014
New retrofit mandates meant to lower energy use and eventually costs are leaving many California companies with an early case of sticker shock.

The state Energy Commission says part of that might be the businesses' fault and that some are misinterpreting the regulations and overestimating what they must do to comply.

In July, the state updated lighting requirements in the building code as part of an effort to lower commercial energy use by 30 percent. Business owners, electrical engineers and landlords say the new standards could add tens of thousands of dollars to companies' cost to move into or upgrade already existing buildings.

The new rules set a lower cap on lighting wattage per square foot and encourage commercial property owners to outfit their buildings with controls and sensors that automatically dim lights when a room is unoccupied, or if natural light allows for lower intensity.

The regulations generally mandate that landlords and business owners add controls – and in some cases, more efficient fluorescent or LED lights – when a retrofit affects more than 10 percent of the electrical lamps in a given space. (Regulators say the rule's only triggered when more than 40 fixtures are moved or changed in some way, though most businesses and contractors I spoke with weren't aware of this rule.)

Real estate brokers and contractors say the 10 percent standard – at least, as they understand it – is met most of the time companies move. Changes or upgrades are usually necessary to make a previously occupied space work for new tenants, and landlords often pay for those improvements.

Before the new regulations went into effect, the state Energy Commission projected companies would spend thousands of dollars on upgrades and in many cases, more than reap the rewards in their energy bills over 15 years. Businesses say the estimates they're getting for work associated with the regulation are instead totaling tens of thousands of dollars, and that the commercial real estate world often uses five- to seven-year leases — not enough time to recoup any steep up-front costs.

And there’s confusion over just what businesses have to do to follow the rules.

One veteran San Diego engineer said he’s had to read the code almost daily to check the new requirements – and still struggles to decipher them.

So frustration is bubbling.

David Marino, executive vice president of Hughes Marino, a commercial real estate company, describes the recent regulatory changes as the “stupidest thing I’ve seen in my 25 years of commercial real estate.”

The concerns come as the state pushes toward a series of long-term goals to combat global warming. Seven years ago, then-Gov. Arnold Schwarzenegger signed a bill that required the Energy Commission to cut electricity use associated with commercial lighting by 25 percent by 2018. The state Public Utilities Commission also wants an 60 to 80 percent reduction in energy consumption associated with all types of electrical lighting by 2020.

Progress toward environmental goals the state has set doesn’t come free. Someone has to foot the initial bill.

In this case, it’s businesses and property owners.

Some say they’re already taking steps to save energy, and that the new lighting requirements won’t lower energy bills for businesses and property owners already careful to turn off lights or moving into spaces that have efficient systems in place – within their relatively short leases.

The mandate to make those upgrades anyway can result in higher rents and less favorable leases for businesses moving in, Marino said.

Jim Herr, president of commercial furniture supplier Parron Hall Office Interiors, is one of those business owners facing a larger bill.

Hughes Marino has estimated the new regulatory changes will translate into a $64,000 to $72,000 bump in electrical retrofit work at the Kearny Mesa building Herr’s hoping to move into.

Herr is still negotiating his lease but hopes to secure one for about seven years. He doesn’t expect to reap energy savings that come anywhere close to the expense during his lease.

“We need to move as a country and as a world toward energy conservation, I know that. Is this the best way to achieve energy conservation in work environment? I can’t tell you. And is the implementation the best? I don’t know,” said Herr, who described himself as an avid recycler. “I do know it has a pretty big price tag associated with it.”

Others are more frustrated.

Brett Humphrey, CEO of software development company Fairway Technologies, said his La Jolla lease nearly fell through recently when he and his landlord became aware of the new energy efficiency regulations.

Humphrey, whose company has done work for VOSD, was told expanding his space would trigger the new rules and add $42,500 in electrical costs.

Humphrey and his landlord struggled over who would pay for it. Fairway ultimately agreed to tack another two years onto its lease if the landlord covered the improvements. Humphrey saw the situation as an unnecessary hassle that won't lead to significant energy savings and could hamper his company's ability to grow.

"The thing that bothers me most about it is it's really just a superfluous process for a lot of businesses like mine. It's just not really needed," Humphrey said. "We're throwing away good usable equipment like our lighting and electric system and replacing it with new equipment that's not going to save much money or much energy, and that has an astronomical price tag attached."
Stories like this have spurred the California Business Properties Association, which represents the commercial real estate industry, to approach the state Energy Commission with its concerns.

Matthew Hargrove, the group's government affairs chief, said his organization has supported incremental code changes that bolster energy efficiency but the latest one took a much larger leap that's not likely to result in substantial savings in the short term.

Hargrove said increasingly lofty energy efficiency goals have shifted the state's approach.

"You start out there with a state that's already that efficient and then set some goals (that are) stretch goals," he said. "What we say is set realistic goals."

Marino, too, believes the new requirements do more to drive up costs than deliver significant energy savings.

"Everybody's cost of construction just went up for no good reason," Marino said.

But state regulators say the goals aren't the problem. Instead, they say, businesses seem to be interpreting the code incorrectly. They admit the complex rules may not be helping.

Peter Strait, who supervises the standards development unit at the Energy Commission, said companies may be doing more than they need to do.
"We do know people sometimes think smaller projects than the code applies to apply to the code," Strait said. "We do try to be reasonable and sensible in the regulations that we draft or try to move forward with."

He said the agency envisioned upgrades costing far less than what businesses described to VOSD and that many companies and landlords would collect what they'd spent on energy efficiency in savings within three to six years.

"Our intent wasn't to cause people to spend tens of thousands of dollars without any benefit," said Mazi Shirakh, a senior mechanical engineer with the commission.

Both officials said the agency is hearing lots of feedback from businesses and is looking to at least simplify the language of the lighting regulations when it updates the building code again in 2016.

Kelly Cunningham of the California Lighting Technology Center, a UC Davis-based facility that tests energy-efficient lighting and offers utility-related training, is convinced companies are misinformed about the rules.

She said business owners, real estate brokers and engineers need to review the new standards and seek training or guidance before they assume the worst. They should also recognize that the state must be forward-thinking and take bold steps to address environmental concerns.

"There are so many people that will be frustrated with any change but for the long term we have to look at what do we need to do to reduce energy in the built environment in our state to make sure we have the resources we need to continue business," Cunningham said.

This is part of our quest digging into the difficulties – real or perceived – of doing business in San Diego. Check out the previous story in our series, The Most Frustrating Labor Rules For California Businesses.

Voice of San Diego is a nonprofit that depends on you, our readers. Please donate to keep the service strong. Click here to find out more about our supporters and how we operate independently.

Amber Pasricha Beck
Public Information Officer
California Energy Commission
1516 9th Street
Sacramento, ca 95814
(916) 654-4989 | amber.beck@energy.ca.gov