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SCE Comments for BUILD Implementation Plan

Additional submitted attachment is included below.

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August 7, 2020

California Energy Commission
Docket Office, MS-4
Re: Docket No. 20-DECARB-01
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.ca.gov

Re: Southern California Edison Company's Comments on the California Energy Commission Docket No. 20-DECARB-01: Building Initiative for Low-Emissions Development Program Implementation Plan

Dear Commissioners:

On July 24, 2020, the California Energy Commission (CEC) issued the Building Initiative for Low-Emissions Development (BUILD) Program Implementation Plan (BUILD Implementation Plan), presenting CEC Staff's proposed approach to administering the BUILD Program. Southern California Edison (SCE) appreciates the opportunity to submit comments on the BUILD Implementation, as set forth below.

I. Program Eligibility Criteria (BUILD Implementation Plan, Chapter 2)

a. Low-Income Requirement: SCE recommends that market rate home builders be included at the outset of BUILD implementation, while prioritizing low-income housing through budget set-asides and operational preference. Market rate home builders make up the bulk of the residential new construction market, and they heavily influence residential market trends and economies of scale. Market rate projects will also yield evaluation, measurement, and verification (EM&V) data much faster, on average, than affordable housing projects, which can take longer to come to fruition. Although there is a statewide new construction program pending within the energy efficiency proceeding[1], and will likely target market rate builders, it is unknown at this time whether there will be a significant focus on building decarbonization, or if the program will mostly benefit dual-fuel construction. Therefore, delaying the market majority of home construction's participation in electrification incentives may result in significant greenhouse gas (GHG) emissions from continued use of gas, as well as continued investment in gas infrastructure that may become stranded before the end of its useful life. If the timing of the BUILD Program roll-out and the statewide new construction program are well coordinated, funding allocations for specific markets can be

[1] CPUC Decision 18-05-041, pp. 90-91. Available here: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K706/215706139.PDF

better informed and applied accordingly. In the absence of such coordination, SCE proposes that market rate home builders be eligible starting in the first year, up to a budget cap.

SCE recommends first prioritizing low-income housing by initially allocating the mandated 75% of the BUILD Program's $80 million budget for this segment,[2] with the remaining budget designated for market rate, but then reassess and possibly reallocate that budget split after the first two years of the program. If the volume of low-income projects warrants it, then the budget allocation should be increased above 75% at that time. SCE also recommends that, operationally, the pilot implementer always prioritize affordable housing projects to the front of the line for processing, because many affordable housing projects are extremely sensitive to project milestones required to qualify for critical federal funding.

b. Low-Income Definition: SCE recommends that the CEC define in further detail the types of projects that would qualify as low-income for the BUILD Program. For example, how would an all-electric multifamily building with a percentage of units designated as deed-restricted low-income be categorized? How would these projects be categorized for program incentive allocation? SCE recommends that the implementer be provided flexibility to consider these factors based on demand.

c. SCE seeks clarification on the definition of the term "residential" and recommends that dormitories, assisted living, and residence hotels be included in this program. These types of housing arrangements are transitional in nature and including them as part of the program eligibility criteria will increase consumer exposure to all-electric living.

d. SCE seeks clarification on mixed-use projects and whether commercial uses such as restaurants on the first floor would also be required to be all-electric versus only the residential dwelling units. If the entire building must be all-electric, how could the incentive be adjusted to accommodate nonresidential areas?

e. SCE seeks clarification on the eligibility of gas-fired central systems located outside of the building. For example, SCE recommends that the program rules clarify the ineligibility of housing that is connected to a central plant to avoid a potential loophole, since the central plant equipment is not technically located inside the building.

f. SCE seeks clarification on the eligibility of agricultural projects, as the BUILD Implementation Plan defined them as ineligible. SCE recommends that low-

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[2] California Public Utilities Commission (CPUC) Decision 20-03-027, p.31. Available here: http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M331/K772/331772660.PDF

income farmworker housing projects on agricultural zoned land be considered for eligibility for the BUILD Program.

g. The map on page 9 of the BUILD Implementation Plan indicates that Catalina Island is within Southern California Gas Company (SoCalGas) territory. However, gas on Catalina Island is served by SCE.

II. Incentive Structure (BUILD Implementation Plan, Chapter 6)

a. Prescriptive Template: Under the proposed multifamily incentive structure, studio apartments are not considered. To support density and affordability, SCE recommends that the CEC offer BUILD incentives for studio apartments that do not have a separate bedroom.

b. GHG Emission Calculation, Site Fuel Emissions: AB 32 requires California to reduce GHG emissions to 80 percent below 1990 level by 2030. To capture the GHG reduction benefits of the BUILD Program, emissions from all energy sources need to be properly counted. Similar to the CEC AB 3232 Assessment, the site fuel emission approach mentioned in the BUILD Implementation Plan appears to leave out the methane leakage from gas pipelines while accounting for electric generation emissions, regardless of where the generation is located.[3] The requirements should be clarified to either only account for on-site emissions or to also include upstream emissions for both gas and electric. To calculate only site emissions for gas but include source (generation) emissions for electric is not an apples-to-apples comparison.

The CEC may consider the references used by other agencies for estimating GHG emissions from natural gas pipelines (from the natural gas well to the customer's meter). For example, South Coast Air Quality Management District developed a tool called "Net Emissions Analysis Tool" (NEAT),[4] which estimates the changes in GHG emissions associated with replacing gas appliances with electric appliances. This tool is based upon the U.S. Environmental Protection Agency's estimated natural gas leakage from transmission and distribution pipelines and also gives an option to use other leakage rates.[5] If leaked methane from the natural gas pipeline is not properly captured in the BUILD Program, we may lose the opportunity to quantify the GHG benefits of incentivizing near-zero-emission buildings that the BUILD Program is targeting.

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[3] BUILD Implementation Plan, p. 14, "The CBECC emissions calculation includes site fuel emissions, mainly the combustion of natural gas from space and water heating, and emissions associated with the generation of electricity."

[4] http://www.aqmd.gov/home/air-quality/clean-air-plans/air-quality-mgt-plan/neat-main

[5] For example, Alvarez et al., "Assessment of methane emissions from the U.S. oil and gas supply chain," Science 361, p.186–188 (2018). Available here: https://science.sciencemag.org/content/361/6398/186

III. Bill Savings Methodology: Building Energy Modeling (BUILD Implementation Plan, Chapter 7)

a. The CEC's California Building Energy Code Compliance software (CBECC) is mentioned as a tool that can be used to estimate bill savings. CBECC is not a predictive tool for bill savings, but rather an "asset rating" mechanism. Therefore, SCE recommends that the implementer have the flexibility to consider other appropriate tools to estimate bill impacts. For affordable housing, SCE recommends that the CEC consider leveraging the existing California Utility Allowance Calculator (CUAC) for estimating bill impacts for the BUILD program, where feasible. The CUAC is a California Tax Credit Allocation Committee-approved tool that provides an estimate of what tenants will pay for utilities and is typically more accurate than a public housing authority (PHA) utility allowance schedule. Using this tool for bill estimates could eliminate some redundancies in the pilot and development process.

IV. Conclusion

SCE thanks the CEC and the CPUC for consideration of the above comments and looks forward to continuing its partnership with stakeholders in the development of the BUILD Program. Please do not hesitate to contact me at (415) 929-5518 with any questions or concerns you may have. I am available to discuss these matters further at your convenience.

Very truly yours,

/s/

Dawn Anaiscourt