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Electrification, Efficiency and Affordability

Any program that provides incentives for the electrification of buildings, particularly multifamily buildings, needs to also include requirements for increased efficiency. As shown in the cost effectiveness reports prepared for the California Electrification Reach Code effort, all-electric buildings are generally more costly to operate than their mixed-use counterparts. However, those reports also show that there are above-code, energy efficient designs that eliminate that operating cost difference and also meet the CEC's cost-effectiveness test in nearly all cases. Linking electrification and efficiency requirements will ensure that an electrification incentive program does not inadvertently also incentivize higher utility costs for occupants. Linking electrification and efficiency will also reduce the grid impacts of the increased load from building electrification.

This issue is vitally important for affordable housing, as identified in SB 1477's direction that the program should not increase utility costs for affordable housing. However, the program should go further than this. Housing affordability should be a key factor of this program and the majority of incentives should be going to affordable housing projects. If any incentives go to market-rate housing, there should still be an affordability criteria to direct incentives toward the more affordable end of market-rate housing and less toward premium, high-end and luxury housing.

Additionally, any discussion of a policy or program to encourage, incentivize or require electrification needs to be had in conjunction with a discussion of electricity rate structures. Electricity rates are a critical factor impacting the affordability of all-electric buildings and the California Alternative Rates for Energy (CARE) should be structured to have rates specifically for all-electric affordable units.