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Building Initiative For Low-Emissions Development Program Implementation Plan

The attached comments were inadvertently in Docket # 19-IEPR-01 about 3:30 this afternoon, for which we received a CEC approved comments. Office. We are refiling to the correct proceeding page 20-DECARB-01.

Additional submitted attachment is included below.



Tim Carmichael
Manager
State Government and Agency
Affairs

925 L Street, Suite 650
Sacramento, CA 95814

(916) 492-4248
tcarmichael@semprautilities.com

August 7, 2020

California Energy Commission
Docket Office
1516 Ninth Street
Sacramento, CA 95814-5512

**RE: Docket # 19-IEPR-01- Building Initiative for Low-Emissions Development Program
Implementation Plan**

Dear Commissioners:

San Diego Gas & Electric (SDG&E) respectfully submits the following comments in response to the California Energy Commission's (CEC) request for comments on the Building Initiative for Low-Emissions Development Program Implementation Plan. In summary, we suggest:

1. The CEC should include Electric Vehicle (EV) charging equipment in the list of technologies eligible for BUILD Program kicker incentives. This equipment has potential to contribute to bill savings, as well as lower GHG emissions outside of the home.
2. Regarding the CEC's question about which rate projections would be appropriate to use for the BUILD Program, SDG&E suggests the rate projection data produced in the Affordability OIR as it provides additional insight into potential future rates for a few years out.
3. While SDG&E agrees incentives would be useful to encourage the growth of the energy storage technology sector, as the BUILD program would do, we strongly encourage the state of California to consider this incentive policy in the context of the larger cost / benefit landscape in which these energy storage technologies would participate.

A detailed discussion of these points follows.

SDG&E is pleased to see the CEC note in its draft BUILD Implementation Plan that EV charging equipment might be considered for incentives. Buildings of the future should have electric vehicle charging. This approach would align with EV-ready building code regulations already promulgated by the CEC, could help reduce electric bills, and moreover aligns with California's EV and GHG emission goals. California has roughly 715 thousand EVs on the road today and is striving toward 5 Million EVs on the road by 2030. In SDG&E's territory we had about 52 thousand EVs on the road as of March 31, 2020 and we need to get to 500 thousand by 2030 to meet our part of that 5 Million EV goal. Electric vehicle use is more prevalent in higher income communities, partly due to cost. Charging infrastructure and the cost of EVs are both barriers to adoption. As more used EVs hit the road and the cost of new EVs decreases over time, opportunities for EV ownership will present themselves to lower income communities, the very community the BUILD program will fully target in its first phase. Making EV charging technologies eligible for BUILD incentives would support increased use and ownership of EVs as well as provide EV owners access to EV rates, which could result in the customer saving money on electricity across the board for all electricity use in the building. SDG&E encourages the CEC to add electric vehicle charging equipment to the list of technologies available for BUILD program kicker incentives.

Regarding the CEC's question about which rate projections would be appropriate to use for the BUILD Program, SDG&E suggests the rate projection data produced in the Affordability OIR as it provides additional insight into

potential future rates for a few years out. The Affordability OIR produces two rate projections, one uses the projections from the current authorized revenue requirement, the other takes the current authorized revenue requirement and layers on top of that what rates would be if all the utilities' proposed applications were approved – projecting out for a few years, but not as far as the 15 years the BUILD program requires. The projected rates including proposed utility applications are updated quarterly. The California Public Utilities Commission (CPUC) established the Affordability OIR proceeding with the goal of developing a framework that would allow the CPUC to assess the affordability of public utility rates across utility types and services. Through this proceeding the Energy Division with the IOUs developed a rate and bill tracker tool, which is updated quarterly and provides the CPUC the incremental information necessary to review and assess each request to change rates throughout the year. This quarterly tracker tool provides the authorized sales forecast, authorized revenue requirement, and incremental revenue requirements for: approved applications that have not been implemented, pending applications and applications projected to be filed. This information is then used to calculate the system average rates (SAR), residential average rates (RAR), and the residential bill impacts for the different revenue requirement categories previously listed. Perhaps the CEC could produce two rate projections for the early part of the bill savings calculation. One based on IEPR and one based on the Affordability OIR. This would produce a range of potential rate changes to consider for the early years of the bill savings calculation.

Additionally, SDG&E is supportive of customer-owned distributed energy resources, including residential solar and storage. SDG&E has one of the fastest solar interconnection processes (3-5 days on average) in California and beyond. Our engineering team invented and patented a device to streamline and reduce the costs for solar installation in older homes. These efforts have helped make San Diego number 2 in the nation with installed solar capacity¹. We would offer a note of caution that any policy that encourages the use of residential solar and storage to grow before the Net Energy Metering cost shift issue is fixed will add to an exponentially challenging subsidization issue that continues to grow each month. The current NEM structure results in higher electric bills for millions of electricity customers, including those who are least able to pay. Specifically, the average SDG&E customer who does not have solar, pays \$200 per year in NEM subsidies to help other people pay for their solar. Statewide, Californians who do not have solar pay approximately \$2 billion per year for costs incurred by solar customers. This amount will continue to increase every year as more customers install solar and fewer and fewer customers are paying to maintain the grid and to fund state-mandated public policy programs such as energy efficiency. The cost of solar systems has dropped 70% but the incentives paid to NEM customers are tied to retail rates and continue to increase. Moreover, the same clean energy and environmental benefits could be achieved through a lower cost option – renewable power bought on the wholesale market. So while SDG&E agrees incentives would be useful to encourage the growth of the energy storage technology sector, as the BUILD program would do, we strongly encourage the state of California to consider this incentive policy in the context of the larger cost / benefit landscape in which these energy storage technologies would participate. Is this the best use of BUILD program funds given these issues?

Finally SDG&E is supportive of customer choice and is disappointed that the BUILD program will only apply to buildings with no natural gas hookups. We think this is missing an opportunity for California, especially with the potential of renewable gas and hydrogen. We recognize the CPUC's Decision approved the pilot BUILD Programs with an exclusive focus on electrification and required that the CEC create this implementation plan for review by the Commission. In future iterations of the BUILD program, we hope the state keeps all clean energy technologies that can help the state meet its climate goals on the table as options for Californians.

Sincerely,

