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CCUE
Coalition of California Utility Employees

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California Energy Commission
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https://efiling.energy.ca.gov/EComment/EComment.aspx?docketnumber=19-BSTD-03

Re: Docket No. 19-BSTD-03, 2022 Energy Code Pre-Rulemaking

Dear CEC Staff,

We are writing on behalf of the Coalition of California Utility Employees (CUE) regarding the Title 24 Standards Building Decarbonization Team's proposed amendments to the 2022 Energy Code presented at the January 26 workshop. The amendments would effectively require low-rise residential buildings to include, depending on climate zone, an all-electric heat pump water heater or space heater system, and that residential buildings be all-electric ready. We understand the CEC is also considering similar proposals for hi-rise residential and commercial buildings, as well as a CalGreen Tier 1 or Tier 2 voluntary all-electric provision. CUE must oppose these proposed amendments because they will negatively impact the safety and reliability of California's gas system, the gas utility workforce and gas utility customers.

CUE is a coalition of labor unions whose members make up the workforces of most of California's electric and combined electric and gas utilities. CUE has actively participated in California's decarbonization[1] and long-term gas system planning[2] proceedings at the California Public Utilities Commission where we have commented on the potential unintended adverse impacts of electrification on existing natural gas infrastructure safety, maintenance and maintenance costs, energy reliability, rates and workers. In those proceedings, CUE has explained the

[1] R.19-01-011.
[2] R.20-01-007.

importance of a robust long-term natural gas system study and plan that considers technical, safety, economic and employment impacts, and reduces risks to workers, existing natural gas infrastructure safety, and energy affordability and reliability. The CPUC has not yet developed a robust study or plan for California's natural gas system. The CEC's proposed Energy Code amendments are, therefore, premature and risky.

Californians rely on natural gas for electricity, to heat homes and businesses, to cook and heat water, and for industrial processes. There are more than 150,000 miles of utility-owned natural gas pipelines that deliver most gas used by Californians. The volume of natural gas used for electric generation has declined and will continue to decline as the Renewable Portfolio Standards in SB 100 are implemented. There also many efforts in the State, including these proposed amendments, to electrify buildings. Electrification of buildings will result in fewer gas utility customers and less gas running through the pipelines. Energy and Environmental Economics, Inc. (E3) estimates that widespread electrification could reduce gas demand by over 90% by 2050.[3] Until then – and even then – there will still be some gas running through the pipelines and, therefore, the pipelines will still require investment and maintenance. As throughput diminishes, the cost to maintain the pipelines will be the same as before but will be paid by just the remaining customers. The decline in natural gas demand will likely lead to higher rates as fixed costs are spread over a declining base, creating a domino effect where more and more people with the means to electrify to avoid the rising cost of natural gas will do so and those who cannot afford to electrify or don't have the option to electrify will be stuck with exponentially higher gas rates.[4] E3's societal least cost scenario estimates residential gas rates increasing from about $1.50 per therm to as much as $19 per therm by 2050.[5] The CEC reports that 70% of California's low-income population are renters.[6] Rising natural gas rates will disproportionately burden low-income customers.

Alternatively, if the utility has fewer customers but does not raise rates, it will have less revenue. The revenue won't be enough to cover the costs to pay workers to maintain the system. Fewer workers translates to a less safe and less reliable gas system. Some of the anticipated impacts include fewer leaks detected and repaired (impacting both safety and the climate), reduced customer response levels at call centers, extended response time from reconnections, longer service outages, deferred reliability maintenance projects, deferred gas pipeline replacements, and slower emergency response times. The State has not begun to

[3] Gridworks, California's Gas System in Transition: Equitable, Affordable, Decarbonized and Smaller (2019), p. 1, available at [Gridworks Report Phase I]
[4] *Id.*, p. 4. The Gridworks white paper refers to this phenomenon as a "death spiral," rate increases driving customers to exist the system via electrification or other alternatives, leading to further rate increases to make up the lost revenue, and so on.
[5] *Id.*, p. 2.
[6] *Id.*, p. 7.

consider how to manage the cost of the gas infrastructure with the reduced volume of gas using that infrastructure.

Similarly, the State has not analyzed the impact of electrification on the natural gas generation fleet. In 2017, the 578 MW Sutter Energy Center and the 1,200 MW La Paloma plant closed because they could not earn sufficient revenues in the CAISO wholesale market. Calpine also reported that operation of its Yuba City, Feather River and Metcalf Energy Center plants may not be economically viable. This trend will continue. As renewable generation increases, gas-fired generation will decrease. For at least the next decade or two, California will need at least some of its current gas fleet for flexible, fast ramping generation, statewide and local reliability. It is predicted that another 4,000 to 6,000 MW of plants in California face a significant risk of early retirement. The State has no plan to decide which plants will be needed, while accounting for location-specific aspects of natural gas generation including impacts on disadvantaged communities and air quality impacts, and has no mechanism to keep plants we need and retire those we don't. Instead, it has resorted to ad hoc emergency procurement orders.

Finally, the State has not analyzed the impact of electrification on the gas utility workforce. There are at least 10,000 people working in gas distribution in California.[7] The State has not meaningfully considered the jobs that could be lost from electrification. There is no statewide plan to ensure a just transition for displaced workers or to ensure that good middle-class jobs are not replaced with low-wage, dead end jobs. The State cannot let workers in the gas utility industry be disproportionately and adversely impacted by electrification.

Natural gas usage is already being reduced in a manner that will impose great cost burdens on those who cannot afford it and will threaten the livelihood of the gas utility workforce. While the CEC claims that the proposed electrification requirements presented at the January 26 workshop are limited, they will create significant additional costs to any building that is not built all-electric. Furthermore, adopting a voluntary all-electric requirement as a CalGreen Tier 1 or Tier 2 provision will turbocharge the piecemeal, jurisdiction by jurisdiction electrification requirements that are already being adopted across California. The proposed amendments effectively create an all-electric requirement for most new construction by making dual fuel construction too expensive. These electrification requirements will exacerbate the negative impacts on the safety and reliability of California's gas system, the gas utility workforce and gas utility customers. Therefore, CUE must oppose the proposed Energy Code amendments.

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[7] Of these, there are more than 8,500 represented employees in bargaining units statewide.

Thank you for considering our comments.

Sincerely,

Bob Dean
Business Manager, IBEW Local 1245

Pat Lavin
Business Manager, IBEW Local 47

Nate Fairman
Business Manager, IBEW Local 465