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PG&E Comments on CalEHP Program March Workshop

Additional submitted attachment is included below.



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March 31, 2022

California Energy Commission
Commissioner Andrew McAllister
Deputy Director Deana J. Carrillo
Renewable Energy Division
Docket Number 21-DECARB-01
715 P Street
Sacramento, CA 95814

**RE: CEC Staff Workshop for the Proposed Design of the California Electric Homes Program (CalEHP),
Docket Number: 21-DECARB-01**

Deputy Director Carrillo and Commissioner McAllister,

Pacific Gas and Electric Company (PG&E) appreciates the California Energy Commission (CEC)'s time to host a workshop on March 17 to discuss and solicit public comment and stakeholder feedback on the proposed guiding principles and proposal for a third-party administrator to implement the California Electric Homes Program (CalEHP), named in statute as the "Building Initiative for Low-Emissions Development" (BUILD) Program Phase 2 by Assembly Bill (AB) 137.

PG&E supports the CEC's efforts to develop incentives for the construction of new all-electric market-rate residential buildings and installation of energy storage systems under the CalEHP program. Similarly, PG&E supports the incentivization of technologies that are higher performing than the code minimum, per Section C, Part 4 under BUILD Phase 2 outlined in AB 137.¹ It is critical to incentivize these technologies while not excluding housing projects that will be built all-electric as they are located in a jurisdiction that requires all-electric new construction.

On this point, PG&E also appreciates the CEC's development of the Draft Guiding Principles² for this program and seeks clarification on the required Element 2 of the key program elements mandated by statute (Public Resources Code section 25403.2).

Under Element 2 of the Draft Guiding Principles, in page 2, the Draft Guidelines specify: *"Further, Public Resources Code (PRC) Section 25403.2 (c)(4) requires the program to incentivize "the installation of technologies not otherwise required pursuant to the applicable local and state building codes." This provision requires CalEHP to focus on market transformation by ensuring that incentives are directed*

¹ [Bill Text - AB-137 State government. \(ca.gov\)](#)

² CEC Draft Guiding Principles for CalEHP. [Draft Guiding Principles](#)

away from projects that would otherwise be required to be built as all-electric or with energy storage. More information on local ordinances exceeding the 2019 California Energy Code are available on the [CEC's local reach code website](#). More information on the approved 2022 California Energy Code, which takes effect on January 1, 2023, is available on the CEC's [2022 Building Energy Efficiency Standards website](#)."

Similarly, on page 4, the Eligibility Section of the Draft Guiding Principles for CalEHP states, *"Incentive payments are available for new all-electric housing and residential storage that is above the local governments and CEC's Energy Code minimum requirements."*

PG&E seeks clarification from the CEC, specifically in the underlined portions of Element 2 because as it is written, this paragraph indicates a potential exclusion of jurisdictions that have led the decarbonizing movements through the adoption of pro-electrification reach codes. PG&E supported these cities in the ordinance adoption process and believes that the residents within those regions should also benefit from the incentives proposed under the CalEHP program.

PG&E requests the CEC provide clarification on this exclusion and urges the CEC not to penalize cities leading the decarbonization efforts and with higher energy efficiency goals by rendering them ineligible for funding under CalEHP. PG&E also seeks clarification from the CEC on its alignment with several proceedings at the California Public Utilities Commission (CPUC) that have assumed that the local baseline should be used for incentive programs.

Several CPUC proceedings have assumed, and comment letters from advocates and utilities have pointed them to prior Decisions that say, that the state baseline—not the local—is the one to use.

The CPUC Decision (D) 09-05-037³ sets a strong precedent for encouraging reach codes through continued incentives that would continue the momentum for ordinances that appropriately address the climate crisis. In Section 3.3.2 of D.09-05-037, the CPUC clarified that customers in areas with local reach codes more aggressive than statewide codes should not be treated differently with respect to energy efficiency program eligibility and incentives. "This acts as a strong disincentive for local governments considering implementation of reach codes and standards since the effect is to deny their constituents funds that they would be eligible for absent a local reach requirement. Local reach codes and standards can be powerful program marketing tools for energy efficiency programs and set precedents that can spur stricter codes and standards statewide."

While this is specific to the CPUC energy efficiency programs, PG&E recommends that the CEC take a similar approach. By focusing on the inclusion of technologies, as mentioned in Section C, Part 4, that perform better than Federal and State efficiency minimums, rather than on a local requirement for a building to include only electric service, there are opportunities to allow more communities to participate in the program. PG&E believes this is a reasonable approach to implementation. Moreover, the Legislature gave the CEC authority for this kind of flexibility by including "to the extent reasonable" in both subparagraphs (c)(3) and (c)(4) of PRC Section 25403.2. It would seem unreasonable to penalize communities that took early action in passing reach codes by deeming them ineligible for CalEHP funding.

³ CPUC, Interim Decision Determining Policy and Counting Issues for 2009 to 2011 Energy Efficiency Programs. [Microsoft Word - 101543.DOC \(ca.gov\)](#)

PG&E appreciates the CEC's efforts to decarbonize new market-rate single- and multifamily buildings, and the opportunity to provide feedback on the Draft Guiding Principles for the CalEHP program. Please do not hesitate to contact me if you have any questions.

Sincerely,

Licha Lopez