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**NRDC Comments on the Workshop and Proposed Design and Guiding Principles of CalEHP**

see attached

*Additional submitted attachment is included below.*

# Comments of the Natural Resources Defense Council on the Workshop and Proposed Design and Guiding Principles of the California Electric Homes Program

## Docket Number 21-DECARB-01

Submitted: March 31, 2022

Submitted by: Merrian Borgeson and Pierre Delforge

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On behalf of the Natural Resources Defense Council (NRDC) we respectfully submit the following comments on the workshop and Proposed Design and Guiding Principles of the California Electric Homes Program (CalEHP).

### I. Summary

NRDC generally supports the approach of contracting with a third party implementer to get these funds out as quickly as possible. We also support the builder recognition program, and strongly recommend that manufactured home builders are intentionally and explicitly included in all aspects of CalEHP given the increasing prevalence of manufactured homes in California and the significant opportunities for improved efficiency in these homes, which will lead to direct and substantial bill savings for low income Californians.

We also note several important areas that require improvement, including:

- CalEHP should not penalize local governments that have taken climate action,
- CEC should make it clear to the program implementer that the new state building code does not require all-electric in any California region,
- Clarify the definition of “market rate” as any non-deed restricted properties, and add the explicit inclusion of manufactured homes, and
- Technical assistance should be offered to new home builders and manufactured home builders before incentive applications are submitted.

### II. Comments

#### A. CalEHP should not penalize local governments that have taken climate action

At the workshop, California Energy Commission (CEC) staff made it clear that the CEC would interpret the statute such that new buildings in the jurisdictions of local governments with all-electric reach codes would not be able to access CalEHP incentives. This would penalize local governments for taking leadership action on building decarbonization. Additionally, these reach codes are not static, and this action by the CEC **will likely inhibit ongoing climate**

**leadership by discouraging local governments from reinstating local reach codes**, which expire when the 2022 building code goes into effect on January 1, 2023 and need to be updated and readopted for the 2023-2025 period. The BUILD program does not have this requirement, and it would be unfair and counterproductive to place this punitive restriction on local governments that are demonstrating leadership to address the climate crisis. We strongly urge the CEC to not restrict incentives to buildings in these locations in any way.

As a secondary, and much less preferred, alternative the CEC could distinguish locations where in fact all-electric new buildings are merely encouraged through performance standards but are not required, from those where they are actually required. In places where all-electric is merely encouraged, the CalEHP statutory restrictions should not apply. In places where all-electric is required, the CEC could instead incentivize more advanced electric technologies than what is required by the local code (rather than prohibit incentives in these localities). For example, this would include:

- Placing no restrictions on localities with all-electric *preferred* or *encouraged* reach codes (as these are not requirements)
- In localities that do require electric appliances, the CEC should instead provide incentives for more advanced technologies, including all of the following:
  - HVAC heat pumps that are more efficient than what is required by code, e.g., that meet ENERGY STAR requirements
  - Heat pump water heaters that comply with JA13 (Demand Flexible Water Heating)
  - Demand flexible heat pump space heating and cooling that complies with JA5 (Occupant Controlled Smart Thermostats)
- The program should also provide kicker incentives for the following optional features:
  - Heat pumps that use a refrigerant that has a lower GWP than the maximum allowed in California
  - Induction cooking equipment, which are more efficient than conventional electric (both in direct energy use and indirectly in terms of induced cooling needs) and provide customers with a better experience of all-electric homes.

**B. CEC should make it clear to the program implementer that the new state building code does not require all-electric in any California region**

While the 2022 code update encourages all-electric construction, it in no way requires all-electric appliances. Until it does, CalEHP incentives should be available statewide and not restricted in any way based on the Title 24 Part 6 energy code. The 2022 statewide energy code sets a performance standard that *encourages* electric heat pumps for space and water heating by

setting a common baseline across energy sources (methane gas, electric, propane) and using performance metrics that account for the higher efficiency and lower emissions of heat pumps vs. gas space and water heating equipment. The 2022 code still allows gas equipment that minimally complies with federal efficiency standards to be installed, by offsetting their higher energy use and emissions through additional energy efficiency, solar, or energy storage measures. While the performance baseline varies by climate zone and building type, it does not require all-electric new construction in any climate zone or building type.

**C. Clarify the definition of “market rate” as any non-deed restricted properties, and add the explicit inclusion of manufactured homes**

The description of housing excluded from “market rate” is inaccurate and overly broad: “Projects that are primarily low-income rental or ownership” (Draft Guiding Principles, page 2). Simply serving or being owned by a low-income household should not exclude buildings from this program. Market rate is any building that is not restricted by deed to be explicitly below market. Most low income households, in fact, live in market rate housing due to the dearth of below market rate affordable housing available in California, sometimes referred to as “naturally occurring affordable housing.”

This line in particular should be deleted: “Buildings that qualify for the BUILD program, which targets new low-income all-electric housing, are not eligible under CalEHP,” (Draft Guiding Principles, page 4). This interpretation is not supported by the statute and will unduly limit access to this program. One consequence of this interpretation would be the elimination of any semblance of alignment with the proposed guiding principle titled “Energy Equity and Disadvantaged Communities.” For these reasons, **any non-deed restricted new residence should be eligible for CalEHP**, and in cases where a building is eligible for both programs, the applicant should be allowed to choose whichever program is most accessible and useful to them.

Plenty of “market rate” housing exists and serves low-income households currently, though most of it is not newly built. However, there are several opportunities that the CEC can and should focus attention on through this program. As one example, the CEC should explore options for directing funding to new housing on tribal lands, where tribally-owned buildings may not have legal deed restrictions. Another example that is especially pertinent to this program are manufactured homes (aka mobile homes), which increasingly are being purchased by lower income Californians who are priced out of other housing options. It should be noted that about half of the new manufactured homes being added in California are already all-electric, but with electric resistance technologies due to the insufficient building energy codes that apply to manufactured homes. CalEHP should have a targeted program to transform the manufactured home sector to jumpstart improvements to the energy efficiency of manufactured homes (thus lowering both GHG emissions and resident bills) and encourage more of them to be built all-

electric. This will likely require working directly with mobile home manufacturers that are providing mobile homes to the California market, and if a knowledgeable implementer is chosen, this intervention could transform the manufactured home market for the entire country.

**D. Technical assistance should be offered to new home builders and manufactured home builders before incentive applications are submitted**

We support the direct provision of technical assistance to new home builders and manufactured home builders. This technical assistance should be offered, like with the BUILD program, in advance of program applications so that it supports the transition of new home builders and manufactured home builders to efficient all-electric design, thus enabling successful applications for the incentives. This early provision of technical assistance is fundamental to the transformation of the entire market, rather than just rewarding those builders who are ahead of the curve and ready to submit applications for incentives today. This technical assistance should be offered through consultants and experts deeply familiar with the builders and manufacturers that is it serving to ensure the greatest impact.

**E. NRDC supports the building recognition program concept**

NRDC supports and appreciates the inclusion of a builder recognition proposal presented at the workshop. The CEC should also include a recognition component focused on manufactured homes.

**III. Conclusion**

Thank you for the opportunity to comment. We look forward to working with the CEC and stakeholders to deploy an effective and equitable CalEHP program that helps put California on the path to safe, healthy, and decarbonized buildings.

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