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QUESTIONS, ANSWERS, and COMMENTS

California Electric Homes Program (CalEHP) Workshop & Comments (Assembly Bill 137)

March 17, 2022

No.	GENERAL FUNDING QUESTIONS
Q1	Can you confirm the funding source for this program? Is this program using cap and trade funds?
A1	The funding for this program is appropriated from the California General Fund. Unlike the BUILD program, which uses direct allocations of greenhouse gas allowances form the Cap-and-Trade Program, this is a statewide program and funding is not limited by utility service territory.
Q2	The CPUC Decision 09-05-037, Section 3.3.2, May 21, 2009, does allow for incentives for new construction programs even where a jurisdiction has a local building code that contains requirements not otherwise required by the state building code. Shouldn't this program have program rules regarding local building codes that align with the CPUC
A2	CalEHP is not directly subject to CPUC Decision 09-05-037 but may consider its findings as part of the program's implementation. CalEHP has its own specific requirements established in its authorizing statue (Cal. Public Resources Code section 25403.2). The statute requires CEC to ensure, to the extent reasonable, that the program (1) incentivizes the construction of buildings as all-electric or with energy storage systems that would not have otherwise been constructed as all-electric or with energy storage systems but for this program and (2) incentivizes the installation of technologies not otherwise required pursuant to the applicable local and state building codes (Cal. Public Resources Code section 25403.2(c)(3) and (4), respectively). Program simplicity and broad market adoption are priorities for California. The CEC therefore, to the extent reasonable, intends CalEHP incentives to be offered in localities with different approaches to building codes. CEC may direct the program administrator to conduct any necessary analysis or fact gathering to determine, in coordination with CEC, that program implementation complies with statutory requirements, including Cal. Public Resources Code section 25403.2 (c)(3) and (c)(4).

	See our response to Question 17 for a further discussion on the application of statutory requirements in jurisdictions with local building codes that require technologies not otherwise required by the state building code.
No.	**GRANT FUNDING OPPORTUNITY – 3RD PARTY ADMINISTRATOR**
Q3	Can you elaborate on the grant solicitation and why it would take place prior to awarding an implementor?
A3	CEC intends to issue a solicitation or, Grant Funding Opportunity (GFO), which is a competitive process to select a third-party program administrator. The selected third-party administrator would then implement the incentive program.
Q4	What will the contract term be for the $7.5 million 3rd party implementer budget?
A4	We anticipate this program to have the most impact over the next two building code cycles as we work to accelerate market transformation. We anticipate the contract term to be 3-6 years with the goal of getting the funds out as soon as possible, so potentially ending early.
Q5	How will the builder/developer industry be engaged throughout the program design process?
A5	Builders and developers will be included throughout the process. They can provide feedback through the submission of public comments to the program docket (21-DECARB-01) and attending workshops. In addition, the CEC is also considering establishing a Technical Advisory Group under the third-party implementor to help advise builders and engage them in this process as well.
Q6	Will technical support be offered to buildings, like that offered to BUILD applicants?
A6	Technical assistance is important for the market-rate industry. The third-party administrator solicitation will require proposals to include the provision of technical assistance to, and support for, those eligible for CalEHP incentives.
Q7	Will there be a separate GFO, solicitation, for a technical assistance provider?
A7	Technical assistance will be provided under the award to the third-party administrator, by the third-party administrator or a subcontractor of the third-party administrator. The solicitation will require proposals set forth a cohesive approach to technical assistance and program implementation.
Q8	Can an administrative partnership, where many different entities get together to provide all the aspects of the program, be allowed to apply to become the third-party administrator for CalEHP?

A8	Yes, a partnership or other collaboration by multiple entities is allowed, provided they meet all requirements of the solicitation and a single entity is identified as the prime recipient that will execute the award with CEC.
Q9	Has there been any thought to how the program will be evaluated? Will there be a net to gross (NTG) assessment or is it assumed that all participants are due to the program?
A9	The CEC does not have the same restrictions as the CPUC related to specific cost efficiency requirements and calculation methodologies. However, the CEC will use other forms of metrics to show program progress and success, such as increased market adoption of all-electric building development.
No.	**GRANT FUNDING OPPORTUNITY – INCENTIVE PROGRAM**
Q10	What building efficiency compliance margin would be required for eligibility of this program?
A10	At present, CEC staff does not anticipate requiring a specific efficiency compliance margin as a condition of eligibility for CalEHP incentives. However, specific eligibility criteria details for CalEHP incentives will be available after the CEC has selected a third-party program administrator and may include technology or appliance-based efficiency requirements for CalEHP participants.
Q11	Are student housing and dormitories eligible for this program?
A11	This program is for new market-rate residential buildings. Assuming these dormitories are new buildings that otherwise meet program eligibility criteria, they would be eligible for this program. The focus on student occupants is not something that would, standing alone, disqualify a residential project from receiving incentives.
Q12	Is the only way for equipment (HVAC etc.) manufacturers to receive this incentive to work with builders by making a deal to split the incentive?
A12	This program is intended for builders; it is not anticipated to be a midstream incentive program.
Q13	Since all-electric and storage are identified separately, is it planned for the all-electric incentive and the storage incentive to be able to stack?
A13	Yes, an all-electric incentive can be stacked with an energy storage incentive. The specific details for CalEHP's incentive structure will be available after the CEC has selected a third-party program administrator.

Q14	Projects that are eligible for BUILD are not eligible for CalEHP, is that for those who participate and go through with the incentives for BUILD? What if a project development qualifies for BUILD, but does not receive incentives from them, are they allowed to participate in CalEHP?
A14	The CalEHP is focused on market-rate residential developments, as statute requires. While the CEC anticipates that a housing development that is deed restricted to offer primarily income-restricted units at an affordable rate would not qualify for CalEHP in light of the statutory limitations, specific eligibility criteria details for CalEHP incentives will be available after the CEC has selected a third-party program administrator.
Q15	How is the CEC thinking to structure the incentives? Is the thinking by square footage, by housing units, or some combination for energy storage systems, or per kWh?
A15	The specific details for CalEHP's incentive structure will be available after the CEC has selected a third-party program administrator. The purpose of the March 17, 2022 workshop was to seek feedback on the draft CalEHP Guiding Principles and workshop materials and to allow the public an opportunity to propose potential incentive structures. The workshop materials contained CEC staff's proposal for how to broadly allocate incentive funds from the program budget to combined electric building plus storage projects and to storage-only projects.
Q16	Will the program be technology agnostic, or will it provide subsidies to an array of technologies? For example, energy storage batteries, there are lithium ion and lead acid batteries, will there be a subsidy regardless of the type of battery or will program support a variation in the market, providing subsides for one technology and other subsidies for another technology?
A16	Market transformation is the key goal for this program and accelerating market adoption. Our goal for CalEHP is simplicity of incentive structure, which may preclude some experimental or less market-ready products from being subsidized, but may also include requirements to incorporate certain technologies in order to receive CalEHP incentives. However, if stakeholders file comments substantiating a need for subsidies for different technologies, the those will be considered. More specific details about CalEHP's incentive structure, and the specific technologies on which CalEHP incentives may be contingent, will be released after the CEC has selected a third-party program administrator.

No.	GUIDING PRINCIPLES
Q17	Please clarify the statute requirement of exceeding the state and local building codes; section 4 states “program incentivizes the installation of technologies not otherwise required pursuant to the applicable local and state building codes.” To me that says the technologies themselves can't be required for example by the state building code, so if the state was to require all electric or all storage you wouldn't be able to incentivize it, but I don't see anything else in here about requiring to exceed code in some other way. Please, clarify that piece that was presented. It sounded to me like there might be some requirement to exceed the performance on energy efficiency required by code. When building codes require all-electric or storage, CalEHP would not provide incentives, however statute does not state equipment should exceed code. A building that meets code but adopts technology that is not required by code, would meet the statutory language. I just want to make sure we are not adding hoops for folks to jump through in addition to incentivizing these technologies.
A17	Cal. Public Resources Code section 25403.2(c)(4) provides that in implementing and administering CalEHP, the CEC shall “[e]nsure, to the extent reasonable, that the program incentivizes the installation of technologies not otherwise required pursuant to the applicable local and state building codes.” As the commenter notes, this is a limitation on providing technology-specific incentives for installing certain technologies that are required by applicable local and state building codes. Such a limitation is not the same as a restriction on providing incentives for projects located within jurisdictions with local building codes that have requirements not contained in the state building code. For example, the program must ensure, to the extent reasonable, incentives are not provided to applicants using a particular technology that is mandated by applicable local or state building codes, or applicants using a particular technology listed in a prescriptive pathway to compliance under applicable local or state building code. While this limitation may preclude the availability of technology-specific incentives for the particular technology installed in a proposed project, it would not exclude the entire project from applying for incentives otherwise available under CalEHP. On the other hand, and as the comment points out, this statutory limitation would not apply if the applicant was using a technology exceeding the performance or energy efficiency of the technology generally required (or required when using a prescriptive compliance pathway) under applicable local and state building code. It is important to note that the statute provides that the certain limitations shall apply only “to the extent reasonable.” The CEC recognizes that administering a program that needs to consider and account for the wide variety of local building codes,

	which are continually evolving, may not be reasonable or administratively feasible. For this reason, the CEC expects that the program administrator will conduct an analysis and make a determination of whether administering the program with these limitations is reasonable.
Q18	What is the intent with Energy Equity and Disadvantaged Communities in the Guiding Principles vs. the BUILD program? This program is a market-rate program, what is the intent with this principle?
A18	The state's disadvantaged community definition is not just an income indicator, it is also one of air and environmental quality. The purpose of focusing investments on disadvantaged communities is to improve public health, quality of life and economic opportunity in California's most burdened communities. There are also co-benefits to investing in new electric buildings and storage in disadvantaged communities, such as improved employment and workforce development opportunities, that are not directly related to air quality. The inclusion of this prioritization in the Guiding Principles is meant to notify potential third-party program administrator applicants that they should consider how incentives could be targeted or made available in a way that promotes environmental justice and acknowledges state policies surrounding investments in disadvantaged communities in their program design proposals.
No.	**RECOGNITION CONCEPT**
Q19	Is the idea of the recognition concept for the solicitation applicants to pitch the best way to implement this or will this be developed pre-GFO and be more dictated by the CEC?
A19	The recognition concept will be developed concurrently with the GFO, and will be a separate complementary effort.
Q20	For the recognition concept, does the commission envision this applying to only new buildings or can this potentially be expanded to include existing buildings that are retrofitted to be all-electric as well?
A20	The concept will likely initially target new buildings eligible under this program. If the concept is successful, the CEC could seek to target additional building types, such as retrofitted existing residential buildings or new and existing commercial buildings.

No.	COMMENTS RECEIVED
1	Limiting jurisdictions would inhibit adoption, and simply make the program less efficient. Plus, reach code jurisdictions tend to be wealthier areas, presumptively harming equity goals.
2	Great [recognition] concept! Would love to see the development of a builder feedback group on this, so that it is aligned with market needs/impact. You probably won't get the depth of feedback you need from the CEC comment docket.
3	We greatly appreciate and support the Energy Commissions work on developing the CalEHP. It is a really important step to set the financial and programmatic foundation for this clean all-electric future. We specifically want to emphasize the critical and immediate need for the all-electric building recognition or labeling program as part of the CalEHP to highlight unique efficiency clean air and climate benefits of all electric buildings. From our 100 plus ambassador programs, we have noted the value of something that designation would bring. We have also surveyed consumer realtors and developers which we will be sharing with the CEC. There is an important funding gap in equipping builders with the tools they need to be best sell these all-electric buildings and we strongly support the CEC. We strongly support CalEHP to help transform the construction market to ultimately advance our clean energy future.
4	There will be affordable developments that cannot participate for BUILD, it would be a lost opportunity to rule them out.