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PG&E Comments on the Equitable Building Decarbonization Direct Install Program Draft Guidelines (22-DECARB-03)

Additional submitted attachment is included below.

Pacific Gas and Electric Company

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June 30, 2023

California Energy Commission
Commissioner Andrew McAllister and Vice Chair Siva Gunda
Docket Number 22-DECARB-03
715 P Street
Sacramento, CA 95814

RE: Pacific Gas and Electric Company Comments on the Equitable Building Decarbonization Direct Install Program: Draft Guidelines

Dear Commissioner McAllister and Vice Chair Gunda:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment in response to the California Energy Commission's (CEC) Equitable Building Decarbonization Direct Install (EBD) Program: Draft Guidelines. PG&E has structured its comments to be responsive to the CEC's prompts concerning the guidelines.

Chapter 2

Section I, Eligible Measures (pages 12-15) lists measures eligible for funding through the program. Would you suggest changes or additions to the lists of required, eligible, and ineligible measures?

1. <u>PG&E recommends the EBD Program account for the customer-borne costs of front-of-the-meter (FTM) equipment upgrades, resulting from panel upgrades and added electric equipment load, as eligible costs for Program funding.</u>

Because building electrification results in increased electric load on the grid, an important consideration for all building electrification projects is the potential need for FTM electric service upgrades to support the new electric equipment loads. Electric tariff Rule 15 governs the cost responsibilities of distribution facility and line upgrades between the electric utility and Applicant, whereas Electric tariff Rule 16 governs the cost responsibilities between the electric utility and Applicant as related to extension of service facilities from PG&E's Distribution Line (rule 15) to the Service Delivery Point.[1] FTM electric service upgrade costs will be reduced by utility credits (i.e., "allowances") to the Applicant, resulting in a

[1] PG&E's tariff book is accessible at https://www.pge.com/tariffs/index.page. Electric Rule 1 defines "Applicant" as "a person or agency requesting PG&E to supply electric service or for changes in electric service. Electric service may consist of both energy and energy-related services."

reduction of total costs to the customer based upon anticipated or future electrical usage.[2] Depending on the scenario, if the cost of the service upgrade is low enough, the application of the allowance may result in the customer being responsible for little or no remaining cost. In most circumstances however, the customer will likely be responsible for additional remaining costs in excess of the allowance for the completion of the service upgrades (and potentially for the completion of select distribution equipment upgrades in limited cases). FTM service upgrade costs vary significantly among Applicant premises but may cost as much as $30,000 or more.[3]

These FTM service upgrade costs can be prohibitively expensive, especially for the households targeted by the EBD Program which are primarily low-income. While customers and contractors may be able to pursue effective strategies that mitigate the need for FTM electric service upgrades, such as installing low-voltage electric appliances to reduce added electric load, FTM service upgrades may still be needed in some cases. Without financial assistance for the customer to cover their service upgrade cost responsibility, these costs will likely present an insurmountable barrier to program participation for many households. PG&E therefore recommends considering FTM electric service upgrades as eligible costs for EBD Program funds to cover for eligible measures. If appropriate, the CEC may also consider applying an average cost cap specifically for FTM electric service upgrades similar to the cap applied to remediation measures to help manage program costs. If such a cap is applied, PG&E recommends setting the FTM electric service upgrade cap no lower than $10,000 on average.

Section J, Pricing and Cost Caps. Would you suggest any changes to the proposed average cost caps?

1. <u>PG&E recommends the EBD program consider raising the remediation cost caps and clearly identify a cost-cap calculation methodology to ensure funding transparency and equity.</u>

Based on PG&E's experience in implementing its Energy Savings Assistance (ESA) Program and other energy efficiency and electrification programs, the proposed average cost caps of up to $3,000 for moderate income households and $5,000 for low-income households are likely to be insufficient to cover the remediation and safety measures identified on page 14 of the Draft Guidelines to bring the property up to code. For example, the $5,000 per household remediation funding provided through the San Joaquin Valley DAC pilot, which provided full and partial electrification in rural DACs, was sufficient for 76% of the participants. However, the other 24% of participants had significantly higher remediation needs. The remediation costs for these households averaged over $15,000.[4]

While PG&E understands that the intent of the proposed average cost cap approach is to allow the program to serve homes with a range of remediation needs, it remains unclear how the average cost cap would be implemented to ensure equity and access to the funding required to perform the necessary remediation work across program participants in an income-qualified program that is supposed to span multiple years and cover regions with a wide range of area median incomes (AMI).

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[2] Utility allowances to Applicants requesting electric service are administered for service upgrades in accordance with Electric Rule 16. For example, see PG&E's Electric Rule 16, Section E, sheet 18, accessible here: https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_RULES_16.pdf

[3] Service Upgrades for Electrification Retrofits Study Final Report, dated May 27, 2022, states on p. 6 "The customer pays a contractor for the home upgrades but, in addition, must pay the Utility up to $30,000 or more to upgrade the Utility's infrastructure from the customer's meter to the pole."

[4] PG&E San Joaquin Valley Pilots Q1 2023 Quarterly Progress Report, April 28, 2023, at Table 2, pg. 2, accessible here: 507825184.PDF (ca.gov)

PG&E recommends that the CEC consider raising the cost caps for remediation to a minimum of $15,000 and clearly identify a methodology for calculating the average cap to ensure funding transparency and equity.

Chapter 4

Section A, Program Coordination and Incentive Layering (page 18) describes a proposed approach to coordinate with other programs and leverage other funding sources. Staff welcome input on this approach.

1. PG&E recommends that incentive layering principles be reflected as guidelines instead of requirements, with a project funding hierarchy that prioritizes funding sources in the following order: federal, state, city/county, and utility-ratepayer.

The CEC's proposed approach to layering incentives currently directs complementary funding sources to be applied to a project prior to EBD Program funds whenever possible.[5] The CEC's proposed approach does not specify sources of potential complementary funding to be prioritized. PG&E acknowledges the wisdom in seeking to enable EBD Program funds to serve more customers, and notes that as building electrification programs are stood up using federal, state, and electric-ratepayer funding sources, there is an increasing likelihood that some of these complementary programs will have similar scopes, and possibly similar policies related to incentive layering.

As PG&E noted in its January 2023 response to the CEC's Request for Information (RFI) on the EBD Program, mandating that funds are layered or leveraged could create unintended confusion in the absence of consistent guidance across programs dictating the order in which various funding sources are to be used. For example, PG&E's upcoming equity electrification programs are expected to also include a layering and leveraging component with a preference that program funds are used last. However, this effort to minimize use of program funds would be undermined if external programs have a similar requirement that their funds are used last. Therefore, PG&E instead recommends that layering and leveraging of other programs be a guiding principle rather than a requirement. PG&E does suggest a generic, generally preferred funding hierarchy that reflects the funding sources and impacts on California rate- and taxpayers. This funding hierarchy could be: 1) federally-funded rebates and programs; 2) state-funded rebates and programs; 3) city/county-funded rebates and programs; and 4) utility-ratepayer-funded rebates and programs. However, PG&E notes that constraints or limits on specific funding sources, as well as programmatic considerations, may necessitate a deviation from this hierarchy, and so proposes it as a guideline only.

2. PG&E recommends the EBD program implementer(s) coordinate with other complementary programs to seamlessly serve participants, maximize comprehensive participant benefits, and enable respective program goal attainment.

As an administrator of many energy-efficiency, weatherization, and decarbonization programs, PG&E welcomes the opportunity to partner with the CEC and its EBD program implementer(s). PG&E believes that program coordination can lower the barriers for income-qualified Californians to participate in these complementary programs—with the ultimate goal of enabling deep energy savings, improving health and comfort, and reducing greenhouse gas emissions.

[5] CEC Equitable Building Decarbonization Direct Install Program: Draft Guidelines, April 2023, p.18

Incentive layering and program leveraging are possible when programs are aligned across household eligibility, measure installation standards, and program rules. In addition, coordination across two complementary programs for outreach, marketing, and targeting can help make both programs more easily understood and accessible for income-qualified households. Early coordination on eligibility and program rules could also enable program administrators to: (1) determine how to layer the different funding sources based on funding source requirements, and (2) sequence the order of the services that each program offers to maximize benefits for income-qualified households while enabling each program to meet its program goals. PG&E suggests that documenting a coordination plan between the EBD Program and complementary programs could help ensure effective coordination.

For example, both the EBD Program and ESA Program support building electrification and energy efficiency for lower income households. However, the EBD Program does not have energy savings or cost-effectiveness goals, while the ESA Program does. As such, the EBD Program administrator may be able to provide less cost-effective electrification measures such as induction cooktops and electric clothes dryers, while the ESA Program could provide a complementary offering of more cost-effective electrification measures, such as a heat pump water heater. In this example, the two program administrators working together could maximize the benefits for income-qualified households by providing a coordinated offering that offers greater benefits to households combined than either program alone while also meeting the decarbonization and energy savings goals required of the two programs.

PG&E appreciates the opportunity to comment on these draft guidelines. Please reach out to me if you have any questions.

Sincerely,

Josh Harmon
State Agency Relations