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**Comments on Draft Equitable Building Decarbonization Direct
Install Program Guidelines**

Additional submitted attachment is included below.



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California Energy Commission
Docket Office
Docket No. 22-DECARB-03
715 P Street
Sacramento, CA 95814

**SUBJECT: San Diego Gas & Electric Company Comments on the CEC's
Equitable Building Decarbonization Direct Install Program Draft
Guidelines
(Docket No. 22-DECARB-03)**

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide comments in response to the recently released draft guidelines for the Equitable Building Decarbonization (EBD) Direct Install Program.

SDG&E recognizes the essential role that electricity is expected to play in building decarbonization. Additionally, achieving the state's goals requires contributions from all Californians to ensure the equitable allocation of benefits and effective management of costs. SDG&E believes that California has the opportunity to serve as a global leader in building the clean energy economy of the future. Effective partnership and stakeholder engagement through programs like this will foster economically and socially sustainable decarbonization models for other states and countries.

SDG&E believes it is prudent for the California Energy Commission (CEC) to consider the existing program infrastructure of the utilities' Main Energy Savings Assistance (ESA) and ESA Multifamily Whole Building (MFWB) Programs for California utility customers as part of the implementation of the CEC's EBD Direct Install Program. Specifically, SDG&E notes the CEC's proposal to use EBD funds to support existing programs. Alignment with the ESA and MFWB programs could help avoid customer confusion by utilizing familiar entities and eliminating the need for a Request for Proposals process, as current ESA Program implementers across the State have all recently been selected through a competitive solicitation process. This approach could efficiently achieve the ESA Program energy efficiency *and* EBD decarbonization goals for the right audience by leveraging existing relationships with ESA Program Implementers, community-based organizations (CBOs), and Tribes.

In the appendix, SDG&E provides specific responses to the questions posed by CEC staff for public input.

Conclusion

Thank you for your consideration of these comments. SDG&E supports the CEC's ongoing efforts to advance building decarbonization. We welcome the opportunity to further discuss this input with CEC staff. Please contact me if you have any questions or are interested in additional information.

Sincerely,



Sarah M. Taheri
Regulatory Affairs Manager

Appendix: SDG&E Responses to Staff Questions on Draft Equitable Direct Install Program Guidelines

APPENDIX: SDG&E Responses to CEC Staff Questions to Guide Public Input on Draft Equitable Building Decarbonization Direct Install Program Guidelines

The California Energy Commission (CEC) is seeking input and comments on the Draft Equitable Building Decarbonization Direct Install Program Guidelines, which are available on the program webpage at <https://www.energy.ca.gov/programs-and-topics/programs/equitable-building-decarbonization-program>. To facilitate input, staff have developed the list of questions below. Comments are welcome in response to these questions and on any other topic related to the Equitable Building Decarbonization Program. In your comments, please consider including supporting rationale, data, and/or documents, if applicable. Comments are due by June 30, 2023.

Chapter 1, Program Overview

1. **Section C, Program Components** and **Section D, Budget** (pages 2-4) present a proposed budget breakdown among Equitable Building Decarbonization program components. The budget prioritizes underresourced communities (through the Statewide Direct Install Program) and California Native American tribes and tribal members (through the Tribal Direct Install Program), as directed in the program's authorizing legislation.¹ The budget also includes a Statewide Incentive Program and reflects CEC's intention to direct a portion of initial funds to existing state programs with similar goals and focus areas to begin achieving program goals as soon as possible. Staff welcome feedback on the proposed budget breakdown.

SDG&E Response:

Table 2: Equitable Building Decarbonization Program Budget Breakdown

Program Investments	Estimated Funding over Program Lifetime
Statewide Direct Install Program, including 5% set-aside for manufactured housing	\$643,700,000
Tribal Direct Install Program	\$30,000,000
Support for Existing Programs	\$30,000,000
Statewide Incentive Program	\$80,000,000
Total	\$783,700,000

Source: CEC staff

- **Support for Existing Programs and Tribal Direct Install Program Budgets.** Table 2 of the Draft Guidelines delineates funding for separate parts of the EBD program budget. In addition to the previous discussion around funding for the Statewide Direct Install and Incentive Programs, the CEC now proposes to add separate funding carveouts to support existing programs and funding for tribal

¹ Assembly Bill 209 (Committee on Budget, Chapter 251, Statutes of 2022).

communities. SDG&E supports the CEC’s thoughtful consideration of \$30M in support of existing programs – which will expand the reach of existing programs and allow customers to quickly start to yield benefits as additional program implementation details are ironed out.

SDG&E suggests that CEC’s support for existing programs include the California state utilities’ Energy Savings Assistance Program (ESA). SDG&E believes ESA should be eligible to receive some of the \$30M allocation given the same energy efficiency measures are currently being directly installed in low-income households through the investor-owned utilities (IOUs) existing program structure and network of implementers, contractors, and inspectors. Contributing funds to the ESA Programs would be an expeditious way to provide benefits to the underserved communities.

SDG&E also supports the inclusion of a Tribal Direct Install Program. Seventeen federally-recognized tribes are located within SDG&E’s service territory; SDG&E has a dedicated tribal relations team that supports tribal communities to advancing decarbonization efforts. Of note, the majority of tribal communities in SDG&E service area operate on propane, not natural gas. While SDG&E is supportive of electrification as a strategy for achieving building decarbonization, the CEC and stakeholders should also be thoughtful about not limiting options for the use of alternative fuels that could provide resilience for tribal and rural communities, while still reducing emissions and encouraging the efficient use of energy. SDG&E recommends the CEC review the CPUC’s San Joaquin Valley (SJV) Pilots² program for relevant information and lessons learned regarding fuel switching from alternative fuels to utility-provided electricity.

- **Administrative Budget Should Include a Coordinated Marketing/Consumer Education and Outreach Campaign.** In presenting the proposed budget allocation, the CEC notes that up to 15 percent of total funds could be used to support program administration (including third-party administrators, CEC administration, and technical assistance). To the extent that any components of the EBD programs are new program offerings, SDG&E encourages the CEC to ensure that administrators work with the CEC to implement a coordinated marketing/consumer education campaign to encourage program participation.

Chapter 2, Statewide Direct Install Program

2. **Section A, Regional Funding Allocation** (pages 5-6) includes a map of proposed Northern, Central, and Southern California regions and a corresponding budget allocation based on the relative population of underresourced communities in the three regions. Would you recommend any changes to the proposed regions or budget allocation?

SDG&E Response:

The CEC's approach of allocating funding based on population statistics makes sense. Understanding the land and building conditions in these regions could also be helpful. SDG&E suggests the proposed regions may align with the utilities' new ESA Multifamily Energy Savings Program which consists of Northern California (PG&E territory) and Southern California (SDG&E, SCE and SCG territories). The direct install funds could be allocated leveraging this infrastructure for all California residents, thereby eliminating the need to create new regions.

3. **Section B, Selection of Administrators** (page 7) states that program administrators will be required to partner with one or more community-based organizations (CBOs) for local and culturally appropriate outreach, education, and support for participating households and communities. In the context of the Statewide Direct Install Program, what specific activities or tasks do you believe will be the most important for participating CBOs to lead or engage in?

SDG&E Response:

SDG&E supports the importance of partnership with CBOs to help create awareness and promotion of the programs, leverage outreach activities, and support the delivery of project training for a successful project implementation. The most important tasks of CBOs will be to build trust and provide transparency and information. CBOs should play a key role in educating customers on the program offerings, process, and value of switching to electric appliances. As trusted program delivery agents, CBOs can also support with program enrollment, serve as liaison between the implementers and participants while going through the process, and potentially help if landlord situations arise.

4. **Section D, Initial Community Focus Areas** (page 8) proposes a process by which communities will be recommended for inclusion in the first phase of the program, recognizing the program does not have the funds to serve every underresourced home in the state. Would you suggest any changes to the proposed criteria for identifying initial focus areas?
- a. The CEC plans to establish a pathway for communities not identified as initial focus areas to be included in a subsequent phase of the program. Do you have recommendations regarding the process and criteria by which such communities should be considered for inclusion?

SDG&E Response:

SDG&E supports the CEC's interest in identifying initial community focus areas for program implementation and suggests prioritizing or weighting the list of considerations to more efficiently target those areas and households most likely

to benefit from decarbonization retrofits. Based on public feedback, it is important to recognize that households in high fire threat districts will be concerned about being completely dependent on electricity when and if they experience a power shutoff. Some medical devices also operate using natural gas. SDG&E also suggests the list of considerations include health of household members if that information is available.

- 5. Section E, Household/Property Eligibility** (pages 9-10) includes proposed income verification requirements for participating households. In establishing income verification requirements, the CEC seeks a balance between good stewardship of public funds and ensuring the program benefits its intended recipients while avoiding overly stringent requirements that create barriers to participation. Would you suggest changes to the proposed income verification requirements to better achieve this balance?

SDG&E Response:

SDG&E proposes the initial focus area for income eligibility be on low-income households that do not qualify under existing ESA program household income limits. ESA uses up to 250% of Federal Poverty Guidelines for single family and requires 65% of households meet that requirement for deed restricted multifamily buildings and 80% for non-deed restricted multifamily buildings. There are already many programs targeting this segment of the population; there are fewer programs available for low and moderate income households that earn between 50-100% of the Area Median Income (AMI). Additionally, SDG&E supports utilizing state level AMI to minimize the complexities of implementation of a program utilizing regional level AMI.

- 6. Section F, Household/Property Targeting** (page 11) proposes an approach by which the program will target the households most likely to benefit from decarbonization retrofits. Would you suggest different or additional targeting criteria?

SDG&E Response:

The targeting criteria of “likelihood of favorable bill impacts” may prove to be difficult to achieve given the higher operating costs of electric versus gas appliances. SDG&E recommends prioritizing or weighting the list of criteria to help establish a protocol for outreach and installations and to focus on the middle-income households above ESA income guidelines since they may be better able to withstand an increase in operating costs. Based on experience with the CPUC’s SJV Pilots referenced above, the unfavorable bill impacts of

electrification were offset with bill discounts.² Bill impacts can be a big factor in customer participation.

- 7. Section H, Set-Aside for Manufactured Homes** (page 11) proposes to set aside at least 5% of the Statewide Direct Install Program budget for manufactured and mobile homes, and to require that program administrators propose an intentional approach to serve these homes in recognition of their unique challenges to decarbonization. Would you suggest any changes to this approach to help ensure that the program is effective in serving households living in manufactured and mobile homes?

SDG&E Response:

Based on SDG&E's past experience with targeted programs, tribal communities and review of the CPUC's SJV Pilots, SDG&E agrees that manufactured and mobile homes face unique challenges to decarbonization. Remediation for this segment could be costly.

- 8. 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?

SDG&E Response:

Regarding the development and installation of packages of measures, it has been SDG&E's experience in implementation of the ESA Program that no two households are exactly alike, and a pre-defined package of measures is difficult to install unless all property conditions and customer preferences are met. Most homes end up with a different mix of measures selected from a list and determined to be feasible rather than the installation of everything within a package.

- 9. Section J, Pricing and Cost Caps** (page 16) presents proposed cost caps for remediation measures. The purpose of cost caps is to balance the program's ability to meet the decarbonization needs of individual households with the responsibility to benefit as many households as possible in a meaningful way. The proposed approach is 'average' cost caps to allow the program to serve homes with a range of remediation needs. Would you suggest any changes to the proposed average cost caps?

² See Quarterly Progress Report of PG&E from April 28, 2023 at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M507/K825/507825184.PDF>. And Quarterly Progress Report of SCE from May 1, 2023 at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M507/K387/507387423.PDFgov>.

- a. What other funding resources could help cover deferred maintenance costs for participating households?

SDG&E Response:

The Cost Cap for manufactured and mobile homes may need an adjustment after some in-market experience. See the SJV Pilot progress reports referenced above for analysis on remediation costs and other potential funding sources.

Chapter 4, Administration

10. 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.

SDG&E Response:

SDG&E supports the CEC's proposed coordination with programs that provide funding for measures that are also eligible through the EBD Program. SDG&E's ESA program is a potential program for coordination; however, SDG&E recommends that rules of engagement be developed that include a loading or stacking order of measures to help implementers and contractors with the installation priorities and scheduling. For example, an ESA contractor could repair a gas water heater and an EBD contractor, at a later visit, could replace it with a heat pump water heater. Program coordination would eliminate these kinds of inefficiencies.

Program coordination and leveraging should be transparent to the customer and should aim to maximize the benefits a customer can receive through the various programs and service offered to the customer segment. Also, a separate tracking and accounting for funds would need to be established along with a process for meeting reporting requirements.

11. Section B, Metrics and Data Collection (pages 18-21) presents metrics that staff anticipate will be used to track progress toward the program's goals. Would you suggest changes or additions to the list of goals and metrics? Do you have recommendations regarding the use of data and analysis to inform improvements to the program?

SDG&E Response:

SDG&E does not have any recommendations at this time.

12. Section C, Tenant Protections (pages 21-22) identifies proposed protections for tenants living in buildings retrofitted by the program. Staff continue to explore

potential program design elements to ensure that the program does not negatively impact tenants. Would you suggest additional tenant protections?

- a. What services, such as tenant education provided by community-based organizations, would tenants need to ensure that the proposed tenant protections are effective? Can you suggest specific organizations that could provide these services?

SDG&E Response:

SDG&E does not have any recommendations at this time.

13. Section D, Workforce Standards and Requirements (pages 22-23) describes applicable prevailing wage requirements and proposed elements that administrators would be required to include in a workforce plan. Would you recommend changes or additions to these workforce standards and requirements?

- a. One proposed workforce element is a preference for local contractors. How would you recommend defining “local” for this purpose?

SDG&E Response:

SDG&E supports CEC’s approach to hiring local. In terms of training contractors and workers, SDG&E recommends the CEC leverage the IOUs’ Workforce Education and Training (WE&T) programs. This foundation of experts and facilitators already provides no-cost offerings across the technical, construction, policy and business aspects of building decarbonization, and is effective at quickly engaging and upskilling the local workforce.