

DOCKETED	
Docket Number:	18-IEPR-09
Project Title:	Decarbonizing Buildings
TN #:	223996
Document Title:	SDG&E Comments on IEPR Workshop Achieving Zero Emissions Buildings
Description:	N/A
Filer:	System
Organization:	SDG&E
Submitter Role:	Public
Submission Date:	6/28/2018 4:01:08 PM
Docketed Date:	6/28/2018

Comment Received From: Steven R Lango
Submitted On: 6/28/2018
Docket Number: 18-IEPR-09

SDG&E Comments on IEPR Workshop Achieving Zero Emissions Buildings

Additional submitted attachment is included below.



Tim Carmichael
Agency Relations Manager
State Government Affairs
925 L Street, Suite 650
Sacramento, CA 95814

Tel: 916-492-4248

TCarmichael@semprautilities.com

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

June 28, 2018

Subject: Comments on the 2018 Integrated Energy Policy Report (IEPR) Workshop on Achieving Zero Emissions Buildings, Docket No. 18-IEPR-09

Dear Commissioners McAllister and Hochschild and others:

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to comment on the Achieving Zero Emissions Buildings (ZEB) workshop conducted by the California Energy Commission (CEC) as part of the 2018 Integrated Energy Policy Report Update (IEPR) proceeding. SDG&E supports the concept of building decarbonization and is already taking concrete steps to work towards this goal. SDG&E urges the CEC and other Public Agencies – the California Public Utilities Commission (CPUC) and California Air Resources Board (CARB) – to consider the following principles when developing ZEB policies and designing efforts to reduce greenhouse gas (GHG) emissions generated by buildings:

I. Key Principles

- Take cost containment (including cost-effectiveness metrics and effective cost recovery) into account when developing ZEB policies and programs;
- Model ZEB efforts alongside other distributed energy resources (DER) as a part of the larger Integrated Resource Plan (IRP);
- Design and implement technology neutral policies to achieve ZEB; and
- Identify a new modern rate architecture that results in rates that accurately reflect the value of utility services provided distinct from the costs and benefits of policy mandates.

II. Cost Containment

SDG&E believes it is important for the joint agencies to consider what ZEB will mean to the cost of energy for all customers. As California continues to move towards a ZEB future, there needs to be a careful examination of the costs of these policies and the implications to the

affordability for all customers. It is in the interest of the CEC, other Public Agencies, and ratepayers to minimize cost shifts created by individual customer bypass of volumetric rates.

It is SDG&E's position that ZEB activities funded by energy efficiency (EE) program dollars need to be cost-effective from an EE programmatic standpoint. Any ZEB activities funded by EE dollars must pass appropriate cost-effectiveness tests so EE program portfolios can remain cost-effective. For example, CARB's presentation on Zero Carbon Building Research¹ highlights the need for EE to achieve ZEB. While SDG&E supports the use of energy efficient measures to achieve ZEB, it is also SDG&E's position that utility EE programs will only be able to fund ZEB initiatives if the appropriate cost-effectiveness tests are in place. To maintain a cost-effective EE portfolio, the utility must get credit for energy savings from customers whose ZEB activity has resulted in grid independence (i.e., using DER instead of procuring resources from the grid). If a customer who received EE program benefits achieves ZEB in a way that ultimately results in grid independence, the customer's energy savings must still be credited to the utility. Failure to do so would result in remaining customers subsidizing departing load. These credits could come in the form of additional savings, non-energy benefits, and/or market multipliers.

III. Model ZEB Efforts with IRP

In the spirit of cost-effectiveness, SDG&E suggests modeling all ZEB efforts alongside other DER activities as a part of the larger Integrated Resource Plan (IRP). The goal of the IRP is to break down the silos among various proceedings in efforts to achieve GHG reductions in the most cost-effective way. The current positioning of ZEB as an integrated resource makes it an ideal candidate for the IRP proceeding. It is also important to coordinate ZEB initiatives with the IRP to ensure that electric sector resource planning policies do not create disincentives for decarbonization of transportation and building sectors. SDG&E recommends that the CEC coordinate with CARB and the CPUC's IRP proceeding to formulate a comprehensive and cross-sectional strategy for GHG reductions in buildings. These recommendations could support Commissioner Hochschild's desire to *incentivize the role of buildings in integrating renewables*.

IV. Design and Implement Technology Neutral Policies to Achieve ZEB

SDG&E would like to emphasize the importance of developing technology neutral policies to achieve ZEB goals. It is important for the CEC and other Public Agencies to develop ZEB policies with decarbonization goals in mind, not specific decarbonization technologies. The assertion that "All building types can be all-electric"² should not lead us to the conclusion that all buildings must be electric to achieve ZEB. This is evident from E3's presentation on "Emissions

¹ Dana Papke Waters, California Air Resources Board, *Zero Carbon Building Research* Presentation. Link: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=223801>.

² Sean Armstrong, Redwood Energy; June 26, 2018 Comments. Link: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=223940>.

Modeling and Building Decarbonization,”³ which emphasized both electrification and renewable natural gas are critical to decarbonizing building energy. Appropriate ZEB policy would set a decarbonization target, and then let market forces decide which technologies should be used to achieve ZEB. Failure to develop technology neutral policies can lead to inefficient ways of reducing emissions and result in initiatives that are not cost-effective.

V. Modern Rate Architecture Needed

A modern electric retail rate architecture – designed to achieve access, equity, sustainability, and transparency – is a necessary foundation for any regulatory framework to be successful in California. A modern rate architecture should include the following elements:

- A fair allocation of costs among customer groups;
- A pricing that matches the costs of the services offered;
- A broad-based collection of policy-related costs from all customers; and
- A separate value-based means of compensating customers and third parties for services that they might provide to the electric grid or to the backstop procurement entity.

SDG&E has concerns regarding some of the approaches being considered by the CPUC to support the advancement of ZEB.⁴ More specifically, SDG&E disagrees with the first approach that assumes an All-Electric tariff would provide customers with an artificially lower rate per kWh as they have higher electricity consumption to provide incentives for ZEB. This approach is in direct contradiction with the current requirements for a residential tiered rate structure that provides lower rates for residential baseline usage, including residential customers with all-electric service. In addition, only when prices reflect the cost of utility services will they provides the right incentives to encourage economically efficient behavior. Any further incentives needed to support ZEB should be transparent, direct, trackable, and ramp down over time.

VI. Conclusion

SDG&E would like to thank the CEC for the opportunity to submit these comments and looks forward to engaging with the CEC and other stakeholders throughout this process.

³ Zack Subin, Energy + Environmental Economics: *E3 Emissions Modeling and Building Decarbonization* Presentation. Link: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=223756>.

⁴ Rory Cox, Calif. Energy Commission: *Building Electrification and the CPUC Presentation*, slides 15-16. Link: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=223899>.

Sincerely,

/s/ Tim Carmichael

Tim Carmichael
Agency Relations Manager
San Diego Gas & Electric