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**SoCalGas Comments on the EE Action Plan and Building Decarbonization**

*Additional submitted attachment is included below.*



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**Subject: Comments on the 2019 California Energy Efficiency Action Plan and Building Decarbonization Workshops, Docket # 19-IEPR-06**

Southern California Gas Company (SoCalGas) appreciates the opportunity to comment on the California Energy Commission’s (CEC) 2019 California Energy Efficiency Action Plan (Plan) and Building Decarbonization Workshops (workshops) held this year on April 9 in San Francisco, April 15 in Redding, April 25 in Fresno, April 30 in Los Angeles, and May 1 in San Diego, conducted as part of the 2019 Integrated Energy Policy Report (IEPR) proceeding.

As an introduction to several of the workshops, Commissioner McAllister said that it was critical for Commissioners and staff to get out into the community to listen to locals. He explained that without this, "the policy we recommend and implement won't be right, it won't be as good as it can be." He said the CEC "really needs feedback...and strong advocates that tell us what to do...[especially], if we're headed in the wrong direction."<sup>1</sup> With this in mind, SoCalGas reiterates our concern on the pro-electrification bias of this year's IEPR proceeding.

Our position on balanced energy solutions has been communicated several times<sup>2,3,4</sup> and most recently, in our comments<sup>5</sup> in response to the Building Decarbonization Workshop held in Los Angeles on April 8, 2019. In this year's IEPR proceeding, the CEC must include recommendations that will address the State's climate goals while maintaining reliability, resiliency, affordability, and consumer choice. This will require thinking more broadly about renewable energy and supporting an integrated, holistic, and balanced approach to reducing

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<sup>1</sup> Commissioner McAllister quote from introduction of April 15, 2019 workshop held in Redding.

<sup>2</sup> SoCalGas Comments on the Final 2018 IEPR Update. Available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=226490&DocumentContentId=57268>

<sup>3</sup> SoCalGas Comments on the Draft 2018 IEPR Update. Available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=225796&DocumentContentId=56469>

<sup>4</sup> SoCalGas Comments on the 2018 IEPR Update Commissioner Workshop on Achieving Zero Emission Buildings. Available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=224017&DocumentContentId=54244>

<sup>5</sup> SoCalGas Comments on the Building Decarbonization Workshop held on April 8 2019. Available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=227834&DocumentContentId=59209>

greenhouse gas (GHG) emissions from the building sector. SoCalGas fully supports the implementation of energy efficiency (EE) measures to meet the State's climate goals as it is the most cost-effective pathway to reduce GHG emissions from buildings. SoCalGas offers comments below on the following issues:

1. General Comments on 2019 California EE Action Plan
2. Building Decarbonization
3. Affordability and Regional Capacity
4. Responses to the CEC's Question

### **1. General Comments on 2019 California EE Action Plan**

SoCalGas has long been a leader in EE: developing and implementing programs that provide California consumers with financial and energy-savings benefits. SoCalGas' 2018-2025 EE Business Plan further emphasizes our continued work to be a leader in delivering innovative EE programs through a suite of solutions that incorporate the best available technologies and services valued by customers, contributes to achievement of EE goals, and that ultimately aligns with the State's EE policies - including a doubling of EE in California by 2030. SoCalGas is currently collaborating with its EE Procurement Review Group to develop a refreshed portfolio with comprehensive solutions that focus on increasing innovation and performance through collaboration with third-party implementers.

The Plan provides a good framework for achieving a robust, sustainable efficiency marketplace that achieves California's EE goals. As the CEC works to finalize the Plan they must ensure it is aligned with EE mandates of Senate Bill (SB) 350. SoCalGas consistently strives to enhance and add value to EE portfolio offerings and deliver a cost-effective portfolio of EE programs. Additionally, it is important for the CEC and the California Public Utilities Commission (CPUC) to work together to make sure the Plan is aligned with the cost-effectiveness rules and program administration structure set forth by the CPUC in Decision (D.) 16-08-019 and D.18-05-041. Alignment between the Plan and SB 350 will enable utilities to achieve their goals for doubling EE savings consistent with current cost-effective and technically feasible efficiency standards.

SoCalGas is actively working towards expanding EE efforts through its third-party solicitation process. This process aims to identify innovative approaches to expand EE efforts through resource acquisition programs. In addition to these efforts, SoCalGas believes market transformation program designs, where appropriate and feasible, can create lasting change in market behavior and therefore the expansion of EE. The CEC should work with the CPUC on the proposed Market Transformation framework filed by the Natural Resources Defense Council on March 19, 2019, which is currently being considered by the CPUC. This can guide the market in introducing solutions to barriers that remain to fully support the expansion of cost-effective EE programs and efforts as a matter of standard practice.

In the April 9, 2019 workshop held in San Francisco, the question of whether it is worth shifting away from the custom calculated approach for meter-based savings was raised because it appears to be a "slam dunk" for the industrial sector. SoCalGas agrees that meter-based savings

approaches need the opportunity to expand. However, there should be an equal place for both approaches. The CEC should work with the CPUC to ensure there is greater support on meter-based savings, as the utilities are still working with that agency on how to work with normalized metered energy consumption approaches.

## 2. Building Decarbonization

At the April 30, 2019 Los Angeles workshop, the CEC asked for input on approaches to building decarbonization and noted that it is not the CEC's intention to equate decarbonization with electrification. SoCalGas supports and emphasizes this approach and encourages the CEC to expressly confirm in the Plan that building decarbonization can have many pathways, including EE, electrification, use of renewable natural gas (RNG) in building end uses, or any additional opportunity to reduce GHG emissions from buildings.

As presented in that workshop, SoCalGas approaches building decarbonization from both the supply and demand side. On the supply side, SoCalGas applied to the CPUC for a voluntary RNG tariff. The RNG tariff will allow SoCalGas to offer RNG to our customers who want to decarbonize their thermal energy usage in their homes. Additionally, SoCalGas recently released a broad, inclusive and integrated plan to help achieve California's climate goals in a paper titled *California's Clean Energy Future: Imagine the Possibilities*.<sup>6</sup> SoCalGas' balanced energy plan embraces an all-of-the-above approach that fights climate change, keeps energy affordability as a key focus, calls for developing long-term renewable energy storage using existing infrastructure, and can aid in promoting rapid consumer adoption in meeting state decarbonization goals.

SoCalGas' balanced energy plan is supported by a recent study developed by the Energy Futures Initiative, *Optionality, Flexibility & Innovation: Pathways for Deep Decarbonization in California* (EFI Report), led by former Secretary of Energy, Dr. Moniz, under the Obama Administration, which analyzes the ways California can meet its aggressive 2030 low-carbon energy goals and outlines the innovation-focused agenda needed for mid-century deep decarbonization of existing buildings.<sup>7</sup> The EFI Report emphasizes that there is no "silver bullet," all energy infrastructure should be utilized, and RNG and hydrogen will have to be part of California's long-term future to achieve mid-century goals. Additionally, EE is identified as a robust option for achieving deep decarbonization of the building sector since "leveraging the full potential of the state's existing EE programs could help the buildings sector meet rough half of its emissions reduction goal by 2040."<sup>8</sup> The EFI Report accentuates the need for the State to pursue a building decarbonization strategy that allows California to maintain a diverse portfolio of energy options. SoCalGas encourages the CEC to explore all options to achieve the State's climate change goals while prioritizing reliability, resiliency, affordability, and consumer choice.

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<sup>6</sup> <https://www.socalgas.com/vision>.

<sup>7</sup> EFI, *Optionality, Flexibility, & Innovation. Pathways for Deep Decarbonization in California*. Full report available at: [https://static1.squarespace.com/static/58ec123cb3db2bd94e057628/t/5cd04b03e2c48378c6b91ad1/1557154571546/EFI\\_CA\\_Decarbonization\\_Full.pdf](https://static1.squarespace.com/static/58ec123cb3db2bd94e057628/t/5cd04b03e2c48378c6b91ad1/1557154571546/EFI_CA_Decarbonization_Full.pdf).

<sup>8</sup> EFI Report at p. 177.

On energy demand-side decarbonization, SoCalGas continues to promote EE as the quickest, most cost-effective pathway for consumer adoption. In the past five years alone, SoCalGas' EE programs have delivered more than 154 million therms in energy savings, enough to power 309,000 households a year, and reduce GHGs by more than 820,000 metric tons—the equivalent of removing nearly 175,000 cars from the road. Improving the EE of existing buildings should continue to be a focus in building decarbonization efforts.

As highlighted in the Los Angeles workshop, SoCalGas has a nationally recognized partnership with the Los Angeles Department of Water & Power (LADWP) to offer joint EE services to shared customers, which streamlines customer experience and maximizes energy savings. The most cost-effective, and compelling offerings for our customers is a comprehensive solution that meets their needs for efficient use of electricity, natural gas, and water. In addition to the partnership with LADWP, SoCalGas has partnerships with five municipal electricity providers, and with the Metropolitan Water District of Southern California, to provide these comprehensive offerings, as well as with Southern California Edison to offer joint EE programs to shared customers. This partnership model serves as a great example for other utilities or jurisdictions to streamline their customer experience and encourage deeper energy savings, which in turn result in deeper decarbonization.

SoCalGas' EE programs offer multiple pathways for our customers to save energy and decarbonize buildings:

- For new construction, SoCalGas offers design services to help ensure the most efficient technology is planned during the construction process.
- For existing buildings, SoCalGas offers downstream rebates, financing support, and direct install options.
- SoCalGas works with retailers and distributors to make sure energy-efficient equipment is in stock and ready when a customer needs to repair or replace existing equipment.

SoCalGas is also engaged in a gas heat pump water heater pilot with the CEC. The latest generation of the efficient residential gas-fired heat pump water heater has a Uniform Energy Factor of 1.3, and we are currently supporting a five-unit residential field test in Southern California with manufacturing partner Rinnai. Once commercially available, the technology will be the only residential water heating technology with an Energy Factor greater than 1.0. The pilot concludes in June with a final report to be delivered in early Fall 2019.

SoCalGas suggests that CEC staff take a holistic approach to building decarbonization by examining all possible decarbonization options for their feasibility, cost, and ability to reduce GHG emissions. As a prime example, CEC staff could have taken the following approach to their inquiry: “What building decarbonization options, including possible hybrid approaches, might be available in the next 5-10 years and at the least cost?” At the Fresno workshop, however, CEC staff indicated that biogas was a completely different subject from building decarbonization. This narrow, limited image may be attributable to the need to develop a knowledge base and vision for the future that understands the breadth of valuable alternatives to electrification that can support the State meet its policy goals at a lower cost while supporting customer choice.

There are 52 state-funded dairy digesters in service or being built in the San Joaquin Valley (SJV) and injection of RNG into existing pipelines and its use in existing-building heating systems is a real thermal decarbonization option for the near future. Also, there is a State mandate<sup>9</sup> to divert organic wastes from landfills which has increased the need for cities and counties to develop options for managing organic waste streams. This could include producing RNG to displace traditional natural gas usage within their buildings. For example, Los Angeles County produces approximately 4,000 tons per day of organic waste which equates to over 2.5 billion cubic feet per year of RNG that could make all its buildings carbon neutral while meeting its waste diversion goals. SoCalGas urges the CEC to expand their narrow, limited approach to building decarbonization and instead include beneficial use of otherwise wasted methane and develop synergistic, hybrid and lower cost options that may be embraced and welcomed by all regions of the State.

### **3. Affordability and Regional Capacity**

It is imperative that the Plan provide flexibility, especially regarding potential costs of actions, such that all regions in California benefit from proposed state actions. For example, energy affordability is a critical issue for some parts of the state like the SJV and was mentioned by several panelists and commenters at the April 25 workshop in Fresno. According to the Census American Community Survey one-year survey, the median household income for California was \$71,805 in 2017, compared to an average of \$54,129<sup>10</sup> in the SJV (25% lower than the state average). There are many other counties within California that have median income well below the State's average therefore, consideration and evaluation of cost and affordability should be a high priority. Speakers at three of the workshops also expressed concerns regarding the potential negative financial impact on businesses in their regions if electrification actions are mandated.

Additionally, the CEC needs to explore further how decarbonization policies will impact California's senior population which is entering a period of rapid growth and is estimated to multiply by four million by 2030.<sup>11</sup> Energy affordability for aging Californians and other disadvantaged communities should be discussed in the 2019 IEPR.

Another aspect of the Plan that must be considered is different regions' abilities to meet goals that may be set on a state-wide basis. For example, at the April 30 workshop in Los Angeles, speakers indicated the City of Santa Monica easily passed reach codes while cities within Western Riverside County rejected them. This was also noted at the Fresno workshop as most cities in SJV have not been willing to adopt reach codes. Therefore, if the CEC insists on

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<sup>9</sup> Mandatory Commercial Organics Recycling.

<https://www.calrecycle.ca.gov/recycle/commercial/organics>

<sup>10</sup> <https://www.deptofnumbers.com/income/california/>. The survey also found the following median household incomes: Fresno County \$51,800, Kern County \$49,854, Kings County \$57,555, Madera County \$51,283, Merced County \$47,735, San Joaquin County \$61,164, Stanislaus County \$59,514, and Tulare County \$46,266.

<sup>11</sup> Public Policy Institute of California. Available at:

<https://www.ppic.org/publication/planning-for-californias-growing-senior-population/>

adopting mandatory statewide actions and policies, it must assure that all counties are able to implement such mandates.

#### **4. Response to the CEC's Questions**

*Workforce development- Have State efforts resulted in workforce improvements to install EE measures? Provide examples of effective EE workforce training efforts.*

Efforts placed on workforce development have resulted in increased participation in training on rules, codes and standards, regulation compliance, and general building construction and development practices. While there has been an increase in participation, these trainings are not necessarily focused primarily on EE measures. More emphasis needs to be placed on tailoring training (e.g., High-performance Building Operations Professional) to specific/targeted audiences to address specific day-to-day system maintenance, operations, or new project installations. These types of trainings have shown to be much more effective than general skills and training topics that show little knowledge of how skills learned translate to the field.

*Benchmarking- Are building owners looking at their energy consumption or just reporting to benchmarking? What type of encouragement or support, beyond monetary, would lead to improved benchmarking scores over time?*

Training and education programs centered around energy management and the interpretation of energy consumption data will be critical to improving benchmarking scores over time. Training and education programs should be engaging, describe the benefits of benchmarking (and consequences), and provide information on the available rebates and incentives programs offered by the investor-owned utilities and State agencies. However, SoCalGas has observed that most building owners are having their energy consumption data reported by third-parties or agents. It is crucial these third-parties and agents take on the education role and build energy saving practices and policies that will become the norm for building owners.



## **Conclusion**

SoCalGas provides these comments to help move California towards meeting our aggressive climate goals in a thoughtful, reasoned, studied, and cost-effective way that also accounts for customer choice. SoCalGas believes that there is a balanced energy solution to decarbonize buildings by exploring the various options for decarbonizing electricity and natural gas supplies that is not just focused solely on electrifying end uses.

Sincerely,

*/s/ Tim Carmichael*

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