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**STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION**

In the matter of:)	Docket No. 19-ERDD-01
)	
Research Idea Exchange)	SMUD Comments Re:
)	Research Idea Exchange
)	
)	September 2, 2021
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**Comments of SACRAMENTO MUNICIPAL UTILITIES DISTRICT on
Research Idea Exchange**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide comments to the California Energy Commission (CEC) on the Research Idea Exchange *Staff Workshop Data-Driven Tool to Support Strategic and Equitable Natural Gas Decommissioning* (“Data-Driven Tool Workshop”) held on July 12, 2021.

SMUD strongly supports the state’s decarbonization efforts to reduce greenhouse gas (GHG) emissions by promoting transportation and building electrification and increasing the development of renewable resources. SMUD takes a holistic approach to climate change, and we do everything we can to cost-effectively reduce GHG emissions in the region.

In July 2020, our Board of Directors declared a climate emergency and adopted a resolution calling for SMUD to take significant and consequential actions to become carbon neutral (net zero carbon) by 2030. The goal of our 2030 Zero Carbon Plan is to reach zero carbon emissions in our power supply by 2030, while maintaining reliability and affordable rates, doing it all with an eye toward equity for underserved communities. Proven clean technologies and reimagining our natural gas power plants can reduce our carbon emissions by about 90% by 2030.

SMUD will continue exploring solutions to support the strategic and equitable decommissioning of natural gas resources. We provide the following comments to supplement SMUD’s comments during the July 12 workshop.¹

SMUD’s Strategic Partnerships to Support Electrification and Natural Gas Decommissioning

SMUD has collaborated with Pacific Gas and Electric Company (PG&E) and the City of Sacramento to develop a strategy for electrification and natural gas decommissioning of

¹ These comments supersede SMUD’s previous comments filed on July 26, 2021 to 19-ERDD-01.

neighborhoods and communities in the region. While developing these partnerships, and based on cost data from our other programs, SMUD has identified two aspects of electrification costs that we believe are important and should be included in the scope of the solicitation:

1. **Acquisition cost for individual homeowners and/or neighborhoods to commit to electrification.** The potential costs for homeowners and/or neighborhoods to commit to electrification will be high. Moreover, these costs are in addition to the technical costs of converting a home to all-electric that is already included in the solicitation scope. SMUD has identified the following two issues that we expect will strongly influence acquisition costs:
 - i. Whether the program administrator identifies a neighborhood and then persuades homeowners to electrify versus whether a neighborhood *self-identifies* to electrify in response to program marketing materials. The former approach incurs higher costs and will have a lower likelihood of success because the neighborhood may not be amenable to electrification in comparison to a neighborhood that self-identifies to electrify.
 - ii. Whether electrification of the neighborhood is complete or partial. Attempting to persuade 100% of homeowners in a community to electrify at a future date is unlikely to be successful and may require providing unrealistically high incentive levels. Accepting partial electrification of a neighborhood in the short-term, while leaving the remaining neighbors with either electric-ready pre-wiring or a plan for future electrification, may be much more cost-effective. Partial electrification may be appropriate for neighborhoods where the gas decommissioning opportunity is 5 or more years away.
2. **The cost of neighborhood-wide direct installation vs. each separate homeowner hiring a contractor.** SMUD has achieved societal cost savings by using direct installation in low-income single-family homes. For example, based on SMUD's best estimate at this time, the average low-income direct installation cost for a heat pump water heater is \$3,500, whereas for our market rate program, in which SMUD incentivizes \$2,500 and the customer is responsible for hiring a contractor, the average total cost is close to \$3,800. The cost savings may be even greater if the direct-install contractor is able to go door-to-door and convert multiple adjacent homes. SMUD estimates that similar savings may be achieved with respect to heat pump space heating installations (e.g., an estimated \$13,000 for direct install versus approximately \$15,000 for market rate). To date, SMUD's direct installation program has only been offered to low-income customers, but it could be equally beneficial when applied to any home or neighborhood. Direct installation can be cost-competitive for the utility in sufficient volume.

Conclusion

As California moves toward a zero-carbon future, coordination between utilities and regulators becomes ever more important, and innovation will be vital to ensuring we reach the state's goals at the lowest levelized cost to consumers. SMUD would like to ensure that our continued work with PG&E and local jurisdictions on electrification and natural gas decommissioning is well-coordinated with the CEC's Electric Program Investment Charge (EPIC) projects and other initiatives. We welcome the opportunity to collaborate with staff and continue to serve on technical or advisory groups for CEC projects.

As always, SMUD appreciates the opportunity to provide these comments and looks forward to continuing to work with staff in this proceeding.

/s/

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