
THIRD READING

Bill No: SB 1393
Author: Archuleta (D), et al.
Amended: 5/19/22
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 8-2, 3/28/22

AYES: Hueso, Dahle, Borgeas, Bradford, Dodd, Grove, Hertzberg, Rubio

NOES: Becker, Stern

NO VOTE RECORDED: Eggman, Gonzalez, McGuire, Min

SENATE GOVERNANCE & FIN. COMMITTEE: 3-2, 4/20/22

AYES: Caballero, Durazo, Hertzberg

NOES: Nielsen, Wiener

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/19/22

AYES: Portantino, Bradford, Kamlager, Laird, Wieckowski

NOES: Bates, Jones

SUBJECT: Energy: appliances: local requirements

SOURCE: Author

DIGEST: This bill expands the types of electrification guidance the California Energy Commission (CEC) must provide to local governments, and it establishes a process for local governments to demonstrate that they have considered this guidance when adopting ordinances that would require the replacement of fossil fuel appliances with electric appliances as part of building retrofits.

ANALYSIS:

Existing law:

- 1) Establishes the CEC's authority to create regulations for building efficiency standards. Existing law requires the CEC to create cost-effective regulations for lighting, insulation, climate control systems, and other building design and

construction standards that increase energy and water efficiency for new residential and new nonresidential buildings. Local governments may not issue permits for construction and installation projects that fail to comply with the CEC's certified efficiency standards. (Public Resources Code §25402(a-b))

- 2) Establishes the CEC's authority to create regulations for appliance efficiency standards. Existing law requires the CEC to set minimum levels of operating efficiency and allows the CEC to set other cost-effective measures, including incentive programs, fleet averaging, energy and water consumption labeling not preempted by federal labeling law, and consumer education programs, to promote the use of energy and water-efficient appliances. (Public Resources Code §25402(c))
- 3) Requires the CEC to adopt standards for appliances to facilitate the deployment of flexible demand technologies. These regulations may include labeling provisions to promote the use of appliances with flexible demand capabilities. (Public Resources Code §25402(f))
- 4) Requires the CEC to take certain steps to support the enforcement of its energy efficiency standards, including providing specified technical assistance to local governments. (Public Resources Code §25402.1)
- 5) Requires the CEC to provide guidance and best practices to help building owners, the construction industry, and local governments overcome barriers to electrification of buildings and installation of electric vehicle charging equipment. (Public Resources Code §25233.5)

This bill:

- 1) Expands the types of electrification guidance the CEC must provide to include the following:
 - a) Ways in which local governments may assess the number of skilled installers of all electric appliances that operate within the local government's jurisdiction.
 - b) Ways in which local governments may ensure that permitting and inspection of structures in the local jurisdiction adequately accommodate the need for 24-hour emergency replacement of new all electric space or water heating appliances.

- c) Ways in which local governments can establish incentives to assist low-to-moderate-income property owners in offsetting the cost and installation of an equivalent all electric space or water heating appliance.
 - d) Ways in which local governments can provide exemptions for certain facilities, such as hospitals, acute care facilities, or other commercial facilities, particularly where any interruption in facility operations caused by an electrical outage could jeopardize public health and safety.
- 2) Requires a local government agency to consider the CEC's guidance regarding electrification best practices when considering an ordinance that requires a fossil fuel appliance to be replaced with an electric appliance as part of building retrofits.
- 3) Establishes a process for the CEC to review and determine the extent to which a local government has considered its guidance and best practices when adopting an electrification ordinance. This bill sets the following deadlines for this review process:
- a) A local government must submit the ordinance, a staff report, any cost-effectiveness studies, and other supplemental documents to the CEC within 60 days of adopting an electrification ordinance.
 - b) The CEC must publish the information submitted by the local government on its website after receiving the documents, and it must determine whether the local government considered the CEC's guidance within 30 days.
 - c) Upon receiving findings from the CEC that the local government did not consider the CEC's guidance, a local government has 180 days to consider the guidance, make any modifications to the ordinance, and re-submit documentation to the CEC.
- 4) Specifies that the CEC shall only implement this bill if it receives a legislative appropriation to do so, and the bill only affects local government ordinance considerations after July 1, 2023, or after the CEC adopts its electrification guidance for local governments, depending on whichever date is later.

Background

CEC's appliance and building code authority. Existing law requires the CEC to adopt regulations to improve the energy efficiency of buildings and appliances. The CEC's Building Energy Efficiency Standards are included in Title 24 of the California Code of Regulations and the CEC's appliance standards are included in Title 20 of the California Code of Regulations. Existing law requires the CEC to provide local governments with technical assistance to support the enforcement of the Building Energy Efficiency Standards. The CEC's regulations allow local governments to adopt requirements for building codes that exceed the CEC's Building Energy Efficiency Standards. Local requirements that exceed the CEC's requirements are generally known as "reach codes." Under existing law, local jurisdictions must submit their reach codes to the CEC for approval before the local government may enforce those reach codes. Under existing law, the CEC's building code authority applies only to new construction, and it does not extend to retrofits of existing buildings. The CEC's appliance standards apply to certain appliances sold within the state.

Pre-emptive strike or an opportunity for better planning? This bill establishes a process for local governments to demonstrate that they are considering state guidance when adopting certain electrification retrofit requirements. While a number of local jurisdictions have adopted rules prohibiting or limiting the use of natural gas appliances in new buildings, no local governments have adopted similar appliance replacement mandates for existing buildings at this time. However, in the future, local governments may seek to phase out natural gas appliances in existing buildings for a variety of reasons, including limiting cost shifts resulting from remaining natural gas ratepayers incurring higher costs to support the maintenance of the natural gas system as more buildings electrify.

More comprehensive planning for building electrification could provide a number of benefits, including better targeting of electrification incentives, helping mitigate consumer costs for upgrades, identifying appliances that have few electric alternatives, and better planning for electric and natural gas reliability. Both electric and natural gas utilities could face challenges as building electrification accelerates. While natural gas utilities could face challenges maintaining the existing natural gas infrastructure without substantial costs shifts for remaining ratepayers, electric utilities may face challenges planning for additional load and distribution upgrades.

Addressing equity concerns in building decarbonization. Costs for complying with building decarbonization mandates depend on a variety of factors, including the depth of the retrofits required, the condition of building, and the availability of incentives to cover appliance and electric upgrades. While consumers that do not electrify may face increasing natural gas rates due to cost shifts, homeowners and businesses may face substantial panel and wiring costs to replace gas appliances with electric appliances. Certain appliances, particularly in the commercial space, may not have a large selection of electric alternatives. This bill requires the CEC to expand the types of electrification guidance it provides to include guidance on how local governments can better help address barriers to electrification, including incentive options for consumers who may have difficulty with up-front costs for electrification retrofits.

A variety of electrification incentives exist for commercial and residential building owners exist through utilities, the California Public Utilities Commission (CPUC), and the CEC. However, not all consumers qualify for these incentives and not all appliances and associated electrical upgrades are covered by these incentives. According to the Senate Budget Subcommittee for Resources Environmental Protection and Energy, the Governor's proposed 2022-2023 State Budget includes approximately \$962 million in funding for programs to help consumers decarbonize existing buildings. This proposed funding includes approximately \$622 million aimed at helping lower income Californians retrofit existing buildings to replace fossil fuel appliances with electric appliances.

Related/Prior Legislation

SB 68 (Becker, Chapter 720, Statutes of 2021) authorized the use of Electric Program Investment Charge (EPIC) funds for the development of technologies that reduce building electrification costs and required the CEC to publish guidance and best practices to help building owners, the construction industry, and local governments overcome barriers to electrification of buildings and installation of electric vehicle charging equipment.

SB 49 (Skinner, Chapter 697, Statutes of 2019) expanded the CEC's authority to create appliance efficiency standards to require the CEC to adopt standards to promote the deployment of appliances with flexible demand capabilities.

SB 1477 (Stern, Chapter 378, Statutes of 2018) required the CPUC to establish incentives for advancing low-emission space and water heating technologies and zero emission building technologies through the Technology and Equipment for

Clean Heating (TECH) program and the Building for Low-Emissions Development (BUILD) program.

AB 3232 (Friedman, Chapter 373, Statutes of 2018) required the CEC to assess by January 1, 2021, the potential to reduce greenhouse gas emissions from existing buildings by at least 40 percent below 1990 levels by January 1, 2030. The bill also requires the CEC to regularly report on emissions associated with buildings' energy consumption.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, CEC estimates ongoing costs of about \$1 million annually (General Fund or special fund) to support seven staff positions in order to implement the provisions of this bill.

SUPPORT: (Verified 5/19/22)

A.O. Smith Corporation
Air-Conditioning, Heating, & Refrigeration Institute
California Association of Realtors
California Building Industry Association
California Business Properties Association
California State Pipe Trades Council
California Pool & Spa Association
Coalition of California Utility Employees
Omega Flex, Inc.

OPPOSITION: (Verified 5/19/22)

1000 Grandmothers for Future Generations
350 Humboldt
350 Sacramento
American Federation of Teachers, Local 1931
American Institute of Architects San Diego
BlocPower
Building Electrification Institute
California Community Choice Association
California State Association of Counties
Center for Community Energy
Central Coast Community Energy
City of Campbell
City of Oceanside

Climate Action Campaign
Earthjustice
East Bay Community Energy
Efficiency First California
Emerald Keepers
First Unitarian Universalist Church of San Diego
Forward Dining Solutions
Futures Unbound
Green New Deal at UCSD
League of California Cities
Menlo Spark
Mothers Out Front
Natural Resources Defense Council
North County Climate Change Alliance
Redwood Energy
RMI
San Diego 350
San Diego Building Electrification Coalition
San Diego Climate Reality Project
San Diego Coastkeeper
San Diego Green Building Council
Sierra Club California
Silicon Valley Clean Energy
Solutions in Sustainability
Sonoma Clean Power Authority
Southern California Edison
The Protect Our Communities Foundation
One Individual

ARGUMENTS IN SUPPORT: According to the author:

While California has primarily focused on decarbonizing new construction, existing residential and commercial buildings produce the vast majority of GHGs from California's building stock. The CEC recently identified several barriers to decarbonizing the existing building stock and found that the most significant barrier is cost. According to the CEC, an electric panel upgrade may cost between \$2,500 - \$4,000 which would be borne by the home or property owner. These costs disproportionately impact low-income and disadvantaged communities, which may face additional unique barriers because of systemic inequality, a history of lower access to capital and financing, greater energy burden, and lower rates of home or business

ownership. In anticipation of local requirements seeking to decarbonize the existing building stock, it is important that local governments consider critical factors when doing so. This bill does not prescribe any outcomes for these ordinances, it simply asks local governments to consider certain factors.

ARGUMENTS IN OPPOSITION: Opponents argue that this bill would slow local building decarbonization efforts by requiring local governments to submit their retrofit ordinances to the CEC for review. In opposition, Southern California Edison states:

SB 1393 will slow local efforts to electrification and statewide efforts to meet California's ambitious greenhouse gas (GHG) reduction goals. This bill runs counter to the CEC's efforts by creating an unnecessary burden for local governments to have to seek approval before taking steps to improve air quality and reduce GHG emissions in the building sector, rather than allowing jurisdictions to take up this issue as a matter of health and safety.

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