

Date of Hearing: June 28, 2023

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Eduardo Garcia, Chair

SB 755 (Becker) – As Amended May 2, 2023

SENATE VOTE: 40-0

SUBJECT: Energy efficiency and building decarbonization programs

SUMMARY: This bill would require the California Energy Commission (CEC) to develop and make publicly available an Internet website for energy efficiency and building decarbonization programs available in the state for residential buildings and residential electricity customers. Additionally, the CEC is required to enable customer application for these programs on its website and provide a link for programs the CEC has determined cannot be included on the website.

EXISTING LAW:

- 1) Requires the CEC to establish various clean energy programs such as the industrial grid support and decarbonization program to provide financial incentives for the implementation of projects at industrial facilities to provide significant benefits to the electrical grid, reduce emissions of greenhouse gases, and achieve the state's clean energy goals. (AB 209, Committee on Budget, Chapter 251, Statutes of 2021, Public Resources Code § 25662-25665.1)
- 2) Requires the CEC to assess the potential for the state to reduce greenhouse gas (GHG) emissions from the state's residential and commercial building stock by at least 40% below 1990 levels by January 1, 2030. (Public Resources Code § 25403)
- 3) Requires the CEC to award funds to research and development projects that advance technologies critical to meeting the state's environmental and energy goals and benefit electricity ratepayers. (Public Resources Code § 25711)
- 4) Requires the California Public Utilities Commission (CPUC) to report biennially on its efforts to identify ratepayer-funded energy efficiency programs that are similar to programs administered by the CEC, the California Air Resources Board (CARB), and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in its annual report on ratepayer costs, and to require revisions of ratepayer funded programs as necessary. (Public Utilities Code § 913.9)

FISCAL EFFECT: According to the Senate Committee on Appropriations, the fiscal impact to this bill is unknown. There is potentially significant ongoing cost pressure from various funds due to potential increases in applicants for energy efficiency and building decarbonization programs due to the simplified application process that this bill would establish. There are also unknown but likely minor costs to the General Fund for the CEC to develop a website as required in the bill.

BACKGROUND:

Equitable Building Decarbonization Program – California is committed to a just and equitable transition to carbon neutrality by 2045.¹ Residential and commercial buildings are responsible for roughly 25% of California’s greenhouse gas (GHG) emissions when accounting for fossil fuels consumed onsite and electricity demand.² Consequently, building decarbonization is critical for the state to achieve its goal of being carbon neutral. The Equitable Building Decarbonization Program was established in budget trailer bill, AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) with the goals to reduce GHGs related to the building sector and advance equity. The program has two components:

- i) The Direct Install Program provides building decarbonization upgrades for low-income and moderate-income households in single-family, multifamily, and manufactured homes in under resourced communities. The statute defines low- and moderate-income residents as those persons and families whose income does not exceed 120% of area median income, adjusted for family size, in accordance with the U.S. Department of Housing and Urban Development (HUD).
- ii) A Statewide Incentive Program provides incentives for low-carbon building technologies, which will be implemented as new federal incentive funds authorized by the Inflation Reduction Act are disbursed. Separate guidelines will be developed for this program through a public process.

As shown in Figure 1, the State Budget Act of 2022 appropriated over \$1 billion from the General Fund for the Equitable Building Decarbonization Program, specifically allocating \$112 million for the program for its first year, and roughly \$900 million is budgeted over the next four fiscal years. However, in light of changing state budget conditions, the Governor’s January 2023 Budget proposes reducing the funding to 91 percent, maintaining approximately \$835 million for support of projects reducing GHG emissions in homes and advancing energy equity. The CEC preliminarily proposes to allocate 66 % of total funds to the direct install program.

Table 1: Equitable Building Decarbonization Program Budget³

2022-2023	2023-2024	2024-2025	2025-2026	Total
\$112 million	\$665 million	\$53 million	\$92 million	\$922 million

Federal Energy Efficiency Rebate Programs – In August 2022, the federal government passed the Inflation Reduction Act (IRA), authorizing \$370 billion—the largest climate change investment made in the nation’s history—towards clean energy, transportation and the

¹ Executive Order B-55-18, “To Achieve Carbon Neutrality”, Governor Edmund G. Brown Jr.; September 10, 2018, <https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf>

² CARB, “Building Decarbonization” https://ww2.arb.ca.gov/our-work/programs/building-decarbonization/about#_ftn1

³ The program budget shown here is consistent with the 2022-23 California State Budget passed by the Legislature and signed by the Governor in 2022. The program budget may change if modified by the Governor and Legislature in future years.

environment.⁴ It also established tax credits for clean energy, rebates for electric vehicles (EVs) and energy-efficient home appliances, among other credits. Among other programs, it includes two residential energy rebate programs: The Homeowner Managing Energy Savings Energy Savings (HOMES) program will provide performance-based rebates for whole-house energy saving retrofits while the High-Efficiency Electric Home Rebate (HEEHRA) program will provide rebates for qualified electrification projects in low-to-moderate income households. Rebates under these programs would cover the purchase and installation of electric heat pumps and electric stoves. About \$290 million is anticipated to be allocated for California for each of these two programs. Once CEC receives the funding from the Department of Energy, it plans to begin disbursing the rebate funds in spring 2024.

Energy Efficiency at the CPUC — In its 2022 Annual Report, the CPUC noted the energy efficiency savings from the electric sector programs for the first three quarters of the year amounted to 2,827 gigawatt hours; while the gas sector programs saved 60 million therms.⁵ In 2022, these programs cost approximately \$590 million across the three largest investor-owned utilities (IOUs).⁶ Energy efficiency is at the top of the “loading order,” meaning that California’s utilities are required to first meet their energy needs through cost-effective energy efficiency measures before renewable and conventional generation. The state’s IOUs and, to a lesser extent, the publicly owned utilities, administer hundreds of energy efficiency programs that provide financial incentives and rebates. The CPUC regulates ratepayer-funded energy efficiency programs.

Similar Actions at CPUC – In June 2020, the CPUC adopted a decision⁷ that directed investor-owned utilities (IOUs) to establish a Universal Application System (UAS) Working Group with stakeholders. The working group consists of membership from community-based organizations, IOUs, contractors, and other stakeholders. The working group is intended to work towards a single application portal for, at minimum, the Energy Savings Assistance (ESA) program, California Affordable Rates in Energy (CARE), and Family Electric Rates Assistance (FERA) programs. Additionally, the working group would support and connect to other low-income and clean energy programs, including non-IOU programs. The UAS would allow for multiple registration pathways: online, in-person, by phone, text, and email. The working group had its first meeting in December 2021 and in a May 2022 draft report, it proposed several recommendations including that a UAS should be pursued, be run by a 3rd-party vendor, and begin with only CARE, FERA, and ESA, before integrating other additional programs. The working group also identified necessary technical features such as allowing customers to complete one application for multiple programs, as well as supporting data sharing of application information and energy usage information among program partners, program administrators, and other implementers.⁸

⁴ White House, “Inflation Reduction Act Guidebook”; <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>

⁵ CPUC, *2022 Annual Report*; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/reports/annual-reports/ar2022_web_013123.pdf

⁶ Pg. 40, CPUC, *2022 California Electric and Gas Utility Costs Report: AB 67 Annual Report to the Governor and Legislature*, April 2023. <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2023/2022-ab-67-report.pdf>

⁷ D. 21-06-015

⁸ California Investor-Owned Utilities. *Universal Application System Sub-Working Group Recommendation Report Draft*. May 2022.

Energy Efficiency at Other Agencies – Energy efficiency efforts are not unique to the CEC, CPUC, or electric utilities. Many other state and federal agencies administer energy efficiency efforts, some include:

- The “Clean Energy Upgrade Financing” program required by ABX1-14 (Skinner, Chapter 9, Statutes of 2011) to finance energy efficiency retrofits with loans administered by CAEATFA within the State Treasurer’s Office.
- Federal funding for free weatherization services for low-income residents administered by the California Department of Community Services and Development (CDCS).
- The “School Energy Efficiency Stimulus Program” at the CEC established by AB 841 (Ting, Chapter 372, Statutes of 2020) to fund critical school improvements, support efforts to reopen schools consistent with COVID-19 guidance and provide jobs.

COMMENTS:

- 1) *Author’s Statement.* According to the author, “California and the federal government have provided unprecedented investments, rebates, grants, and incentives to help low- and middle-income households switch to electric appliances and gain energy savings. In the Inflation Reduction Act (IRA) alone, for example, California was allocated \$582 million in rebates for home decarbonization. While California leads on providing financial support to increase energy efficiency, reduce utility bills, and support a transition to zero-emission appliances, the applications for these various energy programs are scattered. Energy applications are currently administered between 3 state agencies, a household’s utility, and their various local governments. Local organizers, non-profits, and individual Californians have struggled with using and promoting these disintegrated applications, as a result. This is particularly inaccessible to low-income households, who are often required to apply up to six programs to cost-effectively transition to an electric appliance. SB 755 requires the California Energy Commission to create ‘California’s Layered Energy Application for Residents (CLEAR), a one-stop online application portal CEC energy programs and other federal or local programs interested in participating. For program applications that cannot be integrated, the portal would show a user which other incentives they qualify for. The CEC would also receive feedback annually on which local programs could be integrated and proactively communicate with advocates in disadvantaged communities on updates to the portal.”
- 2) *Purpose of this Bill.* According to the author, for low income families to cover the costs of electrifying an appliance, they must enroll in several income-qualified rebate and incentives programs, on top of energy savings and efficiency programs. These programs span different agencies and it can be intimidating for families to wade into various programs for which they might be eligible. As such, it seems beneficial for the state to designate, as this bill does, an entity responsible for developing and making a publicly available website for all the decarbonization programs for residential customers including enabling customer application.

3) *Related Legislation.*

SB 306 (Caballero, 2023) makes changes to the direct install program approved in last year's budget as part of the Equitable Building Decarbonization Program and codifies the Extreme Heat Action Plan. Status: This bill is *pending* hearing at Committee on Assembly Natural Resources

AB 841 (Berman) requires the California Energy Commission (CEC) to identify various subsectors of industrial emissions in California and their locations and identify barriers to industrial electrification, and submit to the Legislature an industrial heat electrification roadmap on or before June 30, 2024. Status: *Pending hearing* at Senate Energy, Utilities and Communications Committee.

AB 691(Ting) requires the CPUC to report biennially on its efforts to identify ratepayer-funded energy efficiency programs that are similar to programs administered by the California Energy Commission (CEC), the California Air Resources Board (CARB), and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in its annual report on ratepayer costs, and to require revisions of ratepayer funded programs as necessary. Status: *Pending hearing* at Senate Energy, Utilities and Communications Committee.

4) *Prior Legislation.*

AB 209 (Committee on Budget) among its many provisions, establishes the Equitable Building Decarbonization Program, including a direct install program to fund the installation of measures to reduce GHGs from buildings. Status: Chapter 251, Statutes of 2022

AB 179 (Ting) Budget Act of 2022 appropriates \$1.12 billion for the Equitable Building Decarbonization Program. Status: Chapter 249, Statutes of 2022

SB 1208 (Hueso) required the CPUC, on or before June 30, 2024, in coordination with other relevant state agencies, that provide low-income electric or gas utility customer assistance programs, to develop a process that enables customers to concurrently apply, or begin to apply, to multiple low-income customer assistance programs. Status: Chapter 840, Statutes of 2022

SB 68 (Becker) directed the CEC to gather and develop guidance and best practices to overcome barriers to the electrification of buildings and installation of electric vehicle charging equipment. This project implements the requirements of that bill to help commercial and residential building owners, the construction industry, and local governments. Status: Chapter 720, Statutes of 2021.

AB 3232 (Friedman) requires the CEC, by January 1, 2021, to assess the potential for the state to reduce GHG emissions from the state's residential and commercial building stock by 40% below 1990 levels by January 1, 2030. Status: Chapter 373, Statutes of 2018.

SB 1477 (Stern) requires the CEC to develop a statewide market transformation initiative to transform the state's market for low-emission space and water heating equipment for

new and existing residential and nonresidential buildings and to develop an incentive program to fund near-zero emission technology for new residential and commercial buildings. Status: Chapter 378, Statutes of 2018.

SB 350 (De León) among its many provisions, includes a goal to double the energy efficiency savings in electricity and natural gas end uses by 2030. Status: Chapter 547, Statutes of 2015.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Bay Area Action

AARP

California Association of Realtors

California Building Industry Association

California Building Industry Association (CBIA)

California Business Properties Association

California Green New Deal Coalition

Central Coast Energy Services

Climate Action California

Coalition for A California Green New Deal

Elders Climate Action, Norcal and Social Chapters

Rewiring America

San Francisco Peninsula Energy Services

Opposition

None on file.

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