Date of Hearing: July 14, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
SB 68 (Becker) – As Amended May 20, 2021

Policy Committee:	Utilities and Energy	Vote:	15 - 0

Urgency: No	State Mandated Local Program: No	Reimbursable: No

SUMMARY:

This bill requires the California Energy Commission (CEC) to publish on its website 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.

FISCAL EFFECT:

One-time costs of $150,000 to CEC to support one position to develop a comprehensive guide on building electrification and installation of electric vehicle charging equipment (Energy Resources Program Account (ERPA)). The ERPA fund—the CEC's main funding source for operations—has a significant, ongoing structural deficit and seems unable to support new costs, such as those imposed by this bill.

COMMENTS:

1) **Purpose.** The author intends this bill to help the state transition away from fossil fuels in buildings and vehicles by requiring the CEC to identify barriers to achieving that transition, as well as ways to overcome those barriers. According to the author:

> Contractors often have little experience with electrifying buildings and give bad advice about the options available to building owners and about whether or not an electrical panel upgrade is needed. Homeowners end up being talked out of electrifying because their contractor doesn't know how to do it or they end up doing costly panel upgrades that could have been avoided. Local building departments are also unfamiliar with building electrification, and the time and cost required to get permits and inspections are causing unnecessary extra costs. This bill directs the CEC to gather and publish best practices to help get better information out there to help building owners, the construction industry, and local governments do this more efficiently.

2) **Electrification.** California has ambitious greenhouse gas (GHG) emissions reduction goals. Existing law calls for the state to reduce its GHG emissions to 40% below 1990 levels by

2030. State regulators have planned for an 80% reduction in those emissions by 2050. And an executive order, issued by Governor Newsome, calls for the state to, "achieve carbon neutrality as soon as possible, and no later than 2045, and to achieve and maintain net negative emissions thereafter. (See Executive Order B-55-18.)

California's buildings and vehicles are significant sources of greenhouse gas (GHG) emissions. According to the CEC, using Air Resources Board (ARB) data, California's commercial and residential buildings, through onsite combustion of fossil fuels and for cooking and heating and through the consumption of electricity, account for 24% of the state's GHG emissions. (See the CEC's 2018 Integrated Energy Policy Report Update.) And, according to ARB, the transportation sector accounts for 41% of California's GHG emissions. (See ARB's *California Greenhouse Gas 2000-2018 Emissions Trends and Indicators Report (2020 Edition).*)

The electricity sector, too is a significant source of GHG emissions: according to ARB, the sector contributes about 15% to the state's total GHG emissions. However, state law requires GHG emissions from the electricity sector, specifically, to diminish considerably, eventually coming completely carbon-free resources by 2045. Therefore, electrification of the building and transportation sectors leads to reduced GHGs, because the energy source for those sectors—electricity—is, itself, a diminishing source of GHG emissions.

Existing law charges the CEC with establishing energy efficiency standards for the state's buildings and with considering ways to reduce the carbon-intensity of the building sector. The CEC has identified building electrification as a key strategy to achieving both greater building energy efficiency and decarbonization.

3) **The Energy Resources Program Account**. The ERPA fund is supported by a statutory surcharge on electricity consumption. The ERPA surcharge amount is established in statute, and the CEC, in 2019, increased the surcharge to the maximum amount allowed by existing law—$0.0003 per kilowatt-hour. In 2019-20, the ERPA surcharge generated approximately $62.8 million and cost the average household about $2.00 annually.

   Nonetheless, the ERPA fund is in a structural deficit. Demands on the fund in 2019-20 alone outpaced revenues by more than $13 million. In part, the structural deficit results from the state's aggressive climate policies, described above, that reduce electricity consumption, thereby reducing ERPA revenues.

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081