

Date of Hearing: May 16, 2018

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez Fletcher, Chair

AB 3232 (Friedman) – As Amended May 1, 2018

Policy Committee:	Natural Resources	Vote:	7 - 3
	Utilities and Energy		8 - 5

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

SUMMARY:

This bill states the intent of the Legislature to achieve significant reductions in the emissions of greenhouse gases (GHGs) by the state's residential and commercial building stock by January 1, 2030, and requires the California Energy Commission (CEC) to:

- 1) By February 1, 2019, open a proceeding to consider load-management standards and strategies needed to optimize building energy use in a manner that reduces GHGs.
- 2) By January 1, 2020, assess the potential to reduce GHGs by the state's building stock by at least 40% below 1990 levels by January 1, 2030.
- 3) Beginning with the 2021 integrated energy policy report (IEPR), include in the IEPR a report on GHGs associated with the supply of energy to residential and commercial buildings, by fuel type, and to make that information available on CEC's website.

FISCAL EFFECT:

According to the CEC, none of the bill's required activities—neither consideration of load-management standards and strategies, nor assessment of the potential for the state to reduce GHGs by the state's residential and commercial building stock, nor inclusion in the IEPR of a report on GHGs associated with the supply of energy to residential and commercial buildings—will entail new costs to the CEC. This is because, according to the CEC, the requirements of the bill so closely align with activities the CEC is already undertaking pursuant to existing authority.

However, it seems more likely that this bill, which the author intends to lead to new activity at CEC, will entail costs. It is not unrealistic to assume the work required by this bill take the full-time focus of one to two PY. Therefore, costs are likely to be in the low-hundreds-of-thousands of dollars annually, funded by special funds.

COMMENTS:

- 1) **Purpose.** The author asserts California cannot achieve its air quality and climate goals without a deep reduction in emissions from residential and nonresidential buildings. The author further contends the state lacks an adequate strategy to reduce emissions from space and water heating fuels like natural gas and propane. The author intends this bill to facilitate development of such a strategy by a) gathering input from stakeholders to consider load-management standards and strategies needed to optimize building energy use in a manner that reduces GHGs and b) assessing existing data to determine the potential to reduce GHGs

by the state's residential and commercial building stock by at least 40 % below the 1990 levels by January 1, 2030.

- 2) **Background.** The California Air Resources Board (ARB) reports the building sector is the second largest source of GHG emissions in the state. ARB asserts there is significant potential to reduce GHG emissions through the sustainable construction, operation, and renovation of new and existing buildings. The ARB identifies actions to reduce GHG emissions from the building sector, including progressively improving building codes and standards, pursuing voluntary efforts to exceed code requirements, and completing existing building retrofits.

Existing law directs the CEC to focus on and regulate the energy efficiency of buildings. Statute requires the CEC to adopt energy efficiency building standards every three years. These measures are listed in the California Code of Regulations under Title 24, Part 6. In addition, statute requires the CEC to develop and implement a comprehensive program to achieve greater energy savings in California's existing residential and nonresidential building stock. What's more, statute requires the CEC to double the statewide energy efficiency savings in electricity and natural gas by January 1, 2030. However, statute does not explicitly direct the CEC to consider the GHGs associated with buildings or to regulate buildings to reduce those emissions.

- 3) **Staff Comments.** This bill makes two requirements of the CEC, but does so through differing direction. First, the bill calls on the CEC to open a proceeding to consider load-management standards and strategies needed to optimize building energy use in a manner that reduces GHGs. Second, the bill directs CEC to assess the potential for the state to reduce GHGs by the state's residential and commercial building stock.

According to CEC, it is somewhat difficult to define the characteristics that distinguish a proceeding. The CEC reports a proceeding is, generally, a formal process. The CEC asserts the specific actions it undertakes as part of a proceeding are determined by the desired outcome of a proceeding but, generally, a proceeding includes creation of a docket to facilitate public comment. The Legislature should, therefore, expect this bill to lead to formal action by the CEC that facilitates public input. In contrast, there are many actions taken by CEC staff without the formality of a proceeding or public comment. The assessment required by this bill would be such an activity.

It seems consistent with the author's intent that CEC's consideration of load-management standards happen via a proceeding. This is because the author says the feasibility and specifics of such standards are unknown; therefore, it is appropriate the CEC conduct a formal process with stakeholder input. Similarly, it seems appropriate CEC staff conduct the assessment of the potential for the state to reduce GHGs by the state's residential and commercial building stock. This is because an assessment will entail staff collection of existing data and analysis of the data.

That said, a proceeding, according to the CEC, is loosely defined. The author intends the CEC consider load-management standards and strategies to reduce buildings' energy-use-related GHGs through a process that allows for public input. It might be more effective for the author to simply direct the CEC to do so, rather than directing it to open a proceeding.