

Senate Bill No. 1477

CHAPTER 378

An act to amend Section 910.4 of, to add Section 748.6 to, and to add Article 12 (commencing with Section 921) and Article 13 (commencing with Section 922) to Chapter 4 of Part 1 of Division 1 of, the Public Utilities Code, relating to energy.

[Approved by Governor September 13, 2018. Filed with
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LEGISLATIVE COUNSEL'S DIGEST

SB 1477, Stern. Low-emissions buildings and sources of heat energy.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms in regulating those emissions. The implementing regulations adopted by the state board provide for the direct allocation of greenhouse gas allowances to electrical corporations and gas corporations pursuant to a market-based compliance mechanism.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and gas corporations. Existing law authorizes the commission to allocate up to 15% of the revenues received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities for clean energy and energy efficiency projects established pursuant to statute that are administered by the electrical corporation, or a qualified 3rd-party administrator as approved by the commission, and that are not otherwise funded by another funding source.

This bill would require the commission to develop and supervise the administration of the Technology and Equipment for Clean Heating (TECH) Initiative, a statewide market development initiative, to require gas corporations to advance the state's market for low-emission space and water heating equipment for new and existing residential buildings. The bill would require the commission, as a part of the initiative, to identify and target key low-emission space and water heating equipment technologies that are in an early stage of market development and that would assist the state in achieving its greenhouse gas emissions reduction goals. The bill would require the commission to develop guidelines and evaluation metrics, implement outreach strategies for hard-to-reach customers, and provide for job training and employment opportunities, in supervising the administration of the TECH Initiative.

This bill would require the commission to develop and supervise the administration of the Building Initiative for Low-Emissions Development (BUILD) Program to require gas corporations to provide incentives to eligible applicants, as defined, for the deployment of near-zero-emission building technologies to significantly reduce the emissions of greenhouse gases from buildings, as specified.

This bill would authorize the commission to determine whether each gas corporation or a third party, including the Energy Commission, shall administer the TECH Initiative or BUILD Program.

This bill would require the commission, in fiscal years 2019–20 to 2022–23, inclusive, to annually allocate \$50,000,000 of the revenues, including any accrued interest, received by a gas corporation as a result of the direct allocation of greenhouse gas emissions allowances provided to gas corporations as part of a market-based compliance mechanism to be allocated to the TECH Initiative and the BUILD Program, as specified.

Existing law makes any public utility and any corporation or person other than a public utility that violates any part of any order, decision, rule, direction, demand, or requirement of the commission guilty of a crime.

Because a violation of commission-ordered requirements under this bill would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) The electricity and heating fuels used in buildings are responsible for a quarter of California’s greenhouse gas emissions and contribute to indoor and outdoor air pollution.

(2) There are a range of technologies that can achieve deep emissions reductions in buildings, including advanced energy efficiency technologies, clean heating technologies, energy storage, and load management strategies.

(3) It is more cost effective to achieve near-zero emissions in new buildings compared to retrofitting existing buildings.

(4) Despite the favorable economics of achieving deep emissions reductions in new buildings, there is little uptake of near-zero emissions construction practices and clean heating technologies are not widely available in the marketplace.

(5) It is essential that achieving near-zero emissions in new buildings also improve housing affordability, particularly in low-income communities.

(b) It is the intent of the Legislature to build on the success of the New Solar Homes Partnership Program by providing incentives to builders to

design innovative, low-emission buildings, and to make low-emission heating equipment readily available and affordable in California.

(c) It is also the intent of the Legislature that projects receive incentives under the programs created by this act only if they result in utility bill savings for the building occupant.

SEC. 2. Section 748.6 is added to the Public Utilities Code, to read:

748.6. Beginning with the fiscal year commencing July 1, 2019, and ending with the fiscal year ending June 30, 2023, the commission shall annually allocate fifty million dollars (\$50,000,000) of the revenues, including any accrued interest, received by a gas corporation as a result of the direct allocation of greenhouse gas emissions allowances provided to gas corporations as part of a market-based compliance mechanism adopted pursuant to subdivision (c) of Section 38562 of the Health and Safety Code to fund the Building Initiative for Low-emissions Development (BUILD) Program (Article 12 (commencing with Section 921)) and the Technology and Equipment for Clean Heating (TECH) Initiative (Article 13 (commencing with Section 922)).

SEC. 3. Section 910.4 of the Public Utilities Code is amended to read:

910.4. By February 1 of each year, the commission shall report to the Joint Legislative Budget Committee and appropriate fiscal and policy committees of the Legislature, on all sources and amounts of funding and actual and proposed expenditures, both in the two prior fiscal years and for the proposed fiscal year, including any costs to ratepayers, related to both of the following:

(a) Entities or programs established by the commission by order, decision, motion, settlement, or other action, including, but not limited to, the California Clean Energy Fund, the California Emerging Technology Fund, and the Pacific Forest and Watershed Lands Stewardship Council. The report shall contain descriptions of relevant issues, including, but not limited to, all of the following:

- (1) Any governance structure established for an entity or program.
- (2) Any staff or employees hired by or for the entity or program and their salaries and expenses.
- (3) Any staff or employees transferred or loaned internally or interdepartmentally for the entity or program and their salaries and expenses.
- (4) Any contracts entered into by the entity or program, the funding sources for those contracts, and the legislative authority under which the commission entered into the contract.
- (5) The public process and oversight governing the entity or program's activities.

(b) Entities or programs established by the commission, other than those expressly authorized by statute, under the following sections:

- (1) Section 379.6.
- (2) Section 399.8.
- (3) Section 739.1.
- (4) Section 2790.
- (5) Section 2851.

(6) Section 921.1.

(7) Section 922.

SEC. 4. Article 12 (commencing with Section 921) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 12. Building Initiative for Low-Emissions Development (BUILD)
Program

921. For purposes of this article, the following definitions apply:

(a) “Disadvantaged community” means a community identified as a disadvantaged community pursuant to Section 39711 of the Health and Safety Code.

(b) “Eligible applicants” means owners or developers of new residential housing.

(c) “Low-income community” means a census tract or equivalent geographic area defined by the United States Census Bureau in which at least 50 percent of households have an income less than 60 percent of the area median gross income.

(d) “Low-income residential housing” means either of the following:

(1) A multifamily residential building of at least two rental housing units that is operated to provide deed-restricted low-income residential housing, as described in clause (i) of subparagraph (A) of paragraph (3) of subdivision (a) of Section 2852, and that meets one or both of the following conditions:

(A) The property is located in a disadvantaged community or low-income community.

(B) At least 80 percent of the households living in the building have incomes at or below 60 percent of the area median income, as defined in subdivision (f) of Section 50052.5 of the Health and Safety Code.

(2) An individual low-income residence, as described in subparagraph (C) of paragraph (3) of subdivision (a) of Section 2852.

(e) (1) “Near-zero-emission building technology” means technology that reduces both of the following:

(A) The energy demands of a building on the electrical or gas distribution system.

(B) The direct and indirect emissions of greenhouse gases from buildings.

(2) Near-zero-emission building technology includes a single technology, such as heat pumps, solar thermal systems, or advanced energy efficiency systems, and a combination of technologies, such as a solar photovoltaic system with an energy storage system.

(f) “Program” means the Building Initiative for Low-Emissions Development (BUILD) Program.

921.1. (a) (1) The commission, in consultation with the Energy Commission, shall develop and supervise the administration of the Building Initiative for Low-Emissions Development (BUILD) Program to require gas corporations to provide incentives to eligible applicants for the deployment of near-zero-emission building technologies to significantly

reduce the emissions of greenhouse gases from those buildings below the minimum projected emissions reductions that would otherwise be expected to result from the implementation of the prescriptive standards described in Section 150.1 of Subchapter 8 of Part 6 of Title 24 of the California Code of Regulations.

(2) The commission may determine whether each gas corporation or a third party, including the Energy Commission, shall administer the program.

(3) Moneys allocated pursuant to Section 748.6 shall be available to each gas corporation, or the third-party administrator, for allocation consistent with this section.

(b) The amount of the incentive provided pursuant to the program shall take into account the availability of existing incentives and shall be based on the projected amount of reduction in the emissions of greenhouse gases resulting from the installation of the near-zero-emission building technology. The commission shall set the incentives to encourage building designs that reduce greenhouse gas emissions beyond industry practices and to offer greater incentives for larger projected greenhouse gas emissions reductions. Incentives for buildings that serve low-income residents may have different standards from those that serve other residents.

(c) (1) To encourage the adoption of near-zero-emission building technologies in new low-income residential housing located in disadvantaged communities or low-income communities, the program shall reserve a minimum of 30 percent of the amount allocated pursuant to Section 748.6 for new low-income residential housing.

(2) If, following the implementation of the outreach plan pursuant to paragraph (5) of subdivision (d), the moneys reserved pursuant to paragraph (1) remain unspent two years after those moneys were reserved, the commission shall evaluate potential changes to the program to increase participation and may make those moneys, or a portion of those moneys, available for other purposes consistent with the program.

(d) In supervising the administration of the program, the commission shall do all of the following:

(1) Ensure that projects funded with moneys reserved pursuant to subdivision (c) are offered technical assistance to encourage the use of the program.

(2) Provide higher incentives for buildings described in subdivision (c) than for installations in other new residential buildings.

(3) Ensure that projects funded with moneys reserved pursuant to subdivision (c) do not result in higher utility bills for building occupants.

(4) (A) Develop program guidelines that include, at a minimum, a list of eligible technologies, a process for evaluating new technologies, criteria for scoring and selecting projects, and a process and set of metrics by which to evaluate and track the program's results.

(B) Program metrics shall include, at a minimum, the number of low-emission systems installed in each building type, projected utility bill savings, and the cost per metric ton of avoided greenhouse gas emissions.

(5) Implement an outreach plan to encourage applications for projects funded with moneys reserved pursuant to subdivision (c).

(e) Each gas corporation shall provide the commission with any information required by the commission to complete the report on the program required pursuant to Section 910.4.

SEC. 5. Article 13 (commencing with Section 922) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 13. Technology and Equipment for Clean Heating (TECH)
Initiative

922. (a) (1) The commission shall develop and supervise the administration of the Technology and Equipment for Clean Heating (TECH) Initiative, a statewide market development initiative, to require gas corporations to advance the state's market for low-emission space and water heating equipment for new and existing residential buildings through upstream market development, consumer education, contractor and vendor training, and the provision of upstream and midstream incentives to install low-emission space and water heating equipment in existing and new buildings, with technologies identified pursuant to subdivision (b).

(2) The commission may determine whether each gas corporation or a third party, including the Energy Commission, shall administer the TECH Initiative.

(b) As a part of the TECH Initiative, the commission shall identify and target key low-emission space and water heating equipment technologies that are in an early stage of market development and would assist the state in achieving the state's greenhouse gas emissions reduction goal for 2030 and other long-term greenhouse gas emissions reduction goals established by the Legislature. In identifying and targeting these technologies, the commission shall give consideration to technologies that have the greatest potential to reduce greenhouse gas emissions in California and that improve the health and safety of, and energy affordability for, low-income households.

(c) (1) In supervising the administration of the TECH Initiative, the commission, in coordination with the Energy Commission, shall develop guidelines and evaluation metrics, implement outreach strategies for hard-to-reach customers, and provide for job training and employment opportunities.

(2) (A) The guidelines shall include, at a minimum, a list of eligible technologies, a process for evaluating new technologies, and a process and set of metrics by which to evaluate and track the TECH Initiative's results.

(B) The metrics shall include, but are not limited to, the market share for eligible technologies, projected utility bill savings, and the cost per metric ton of avoided greenhouse gas emissions.

(d) Moneys allocated pursuant to Section 748.6 shall be available to each gas corporation, or the third-party administrator, for allocation consistent with this section.

(e) Each gas corporation shall provide the commission with any information required by the commission to complete the report on the TECH Initiative required pursuant to Section 910.4.

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.