BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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OPENING COMMENTS OF THE BAY AREA SCIENCE AND INNOVATION CONSORTIUM (BASIC) ON THE PROPOSED DECISION ADOPTING STRATEGIC OBJECTIVES FOR THE ELECTRIC PROGRAM INVESTMENT CHARGE PROGRAM

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Bay Area Science and Innovation Consortium (BASIC**)** respectfully submits these Opening Comments on the *Proposed Decision Adopting Strategic Objectives for the Electric Program Investment Charge Program* ("Proposed Decision"), issued on January 23, 2026.

BASIC, an initiative of the Bay Area Economic Institute and affiliated with the Bay Area Council, brings together leaders of the Bay Area's leading universities, national laboratories, independent labs and corporate research and development centers. These institutions are also significant energy consumers concerned with reliability and affordability. With the primary

mission of advancing the innovation, science and technology leadership of the Bay Area, California and the nation, BASIC promotes collaboration among researchers, the business community and other stakeholders, highlights the region's unparalleled research capabilities and works to advance the Bay Area's energy innovation and economic leadership.

BASIC is a strong supporter of the EPIC research program, the leading state energy research program in the country. BASIC appreciates and supports the Commission's work to establish clear strategic objectives for the EPIC research program that align with the goals set forth in Decision (D.) 24-03-007, including its focus on delivering tangible value and energy burden reductions for ratepayers, and identifying needed research to deliver reliable energy supplies, optimize use of existing assets and advance affordability. BASIC urges the Commission to refine Strategic Objectives #4 and #7 to better address previously identified critical research gaps in developing clean, reliable and affordable energy solutions and to extend support for Regional Energy Innovation Clusters.

II. DISCUSSION

A. The Commission Should Amend Strategic Objective #4 to Include Commercial Buildings.

Decision 24-03-007 established "Building Decarbonization" as an EPIC Strategic Goal to accelerate "comprehensive, cost-effective, and equitable building decarbonization strategies to support the achievement of the state's targets to be carbon neutral by 2045 economy-wide..."[1] Identified research gaps included a lack of advanced planning for grid needs, insufficient flexible

[1] D 24-03-007, p. A-1

load capacity from building electric use, and a need for low-cost automation and sensing solutions for commercial buildings.[2]

BASIC urges the Commission to reconsider the Proposed Decision's exclusion of commercial buildings from Strategic Objective #4. As noted by the California Energy Commission (CEC), commercial buildings account for a significant share of building energy consumption and half of the greenhouse gas emissions from the building sector.[3] As currently drafted, Strategic Objective #4 does not position the Commission to accomplish its broader Building Decarbonization goal.

Further, the Proposed Decision's stated rationale—that including commercial buildings would "significantly dilute" the ability to make progress in residential sector costs—overlooks the market "pull" that inclusion of commercial building strategies and technologies would provide to growing overall demand for solutions applicable in both sectors such as heat pumps, energy management systems, and advanced insulation.

As noted by a Brattle Group study, five virtual power-plant technologies—smart thermostats, behind-the-meter batteries, auto-demand response, grid-interactive water heating, and managed EV charging—could provide over 7.5 GW per year in flexible demand capacity to California's grid. This would enable the avoidance of $755 million annually in distribution, energy, transmission, and generation capacity costs, delivering savings to California consumers of $550 million per year. Applications of these technologies in the commercial building sector account for about a third of these benefits; excluding them would forfeit significant ratepayer value.[4]

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[2] Id., p. 17-18
[3] California Energy Commission Comments on ALJs Ruling Requesting Comment on Staff Proposal, March 28, 2025, p. 6
[4] Brattle Group,California's Virtual Power Potential: How Five Consumer Technologies Could Improve the State's Energy Affordability, April 2024

The Commission can still prioritize residential R&D without excluding that related to commercial buildings. Acknowledging the economic challenges of advancing electrification and flexible demand in residences, BASIC suggests revisions to Strategic Objective #4 that retain the 50% reduction goal for residential while creating room for high-impact investment in commercial building electrification and flexible demand strategies.

B. Strategic Objective #7 Must Be Amended to Address Research Gaps for Solutions to New Generation and Storage.

In establishing EPIC Strategic Goal #4—to identify cost-effective opportunities for reaching the "last 10%" of the state's carbon neutrality goal—D.24-03-007 cited research gaps including the lack of independent studies on the appropriate roles and lifecycle costs of emerging technologies, including floating offshore wind, enhanced geothermal, biomass conversion, and clean renewable hydrogen.[5]

BASIC agrees with the importance of identifying emerging zero-carbon technologies with the lowest adverse impacts. However, BASIC is concerned that the Proposed Decision does not sufficiently address the research gaps – specifically independent studies on the appropriate, cost-effective roles and lifecycle costs and impacts of certain emerging technologies – underlying this Goal identified in D.24-03-007. For example, in evaluating enhanced geothermal technologies, the Commission and CEC may require technical information on seismicity mitigation or analysis of especially favorable locations for development, for example, that may fall outside a narrow cost-focused or lifecycle analysis.

[5] D 24-03-007, p. 20

Furthermore, significant changes in federal energy research funding and priorities have increased the potential for the emergence of research gaps that could impede California's achievements of its clean energy goals. (These changes, beginning with the presentation of the Administration's proposed FY 2026-2026 budget in late May 2025, occurred after the formulation and comments on the Staff Proposal.) Providing program administrators, particularly the CEC, with some flexibility will be extremely important to overcome research gaps created by loss of relevant federal research, as well as to potentially exploit new developments to leapfrog current solutions. The shift in some federal priorities may also create opportunities that will require nimble agency action to enable California performers to successfully compete for federal funding. BASIC urges the Commission to support development of at least the technologies noted in D 24-03-007, an approach that could address the concerns of overbreadth expressed in the Proposed Decision but provides flexibility for the State to continue to make progress in those sectors.

C. The Commission Should Support Entrepreneurship to Accelerate Commercialization.

BASIC supports the comments of intervenors Los Angeles Cleantech Incubator (LACI) and Cleantech San Diego regarding the importance of Regional Energy Innovation Clusters (REICs). The Bay Area's REIC, Activate, has supported more than 230 science-based companies which have raised over $5 billion in follow-on financing, many of which have produced innovations benefitting ratepayers with more affordable clean energy solutions. These outcomes demonstrate that REICs such as Activate function as a critical bridge between EPIC-funded research, early demonstration, and cost-reducing deployment pathways that ultimately benefit California ratepayers. For example, Gradient has developed air conditioner/ heat pump units that are two to four times more efficient than outdated electric-resistance systems. The Gradient units also provide direct energy savings, with recent installations in affordable housing buildings across the

country expecting to save roughly $600 in energy costs per unit per year. Others like Fervo have pioneered enhanced geothermal systems to provide renewable power to California's grid, including a 320 MW deal with Southern California Edison.

BASIC understands that LACI and Cleantech San Diego will offer amended findings of fact and a proposed ordering paragraph regarding this issue. BASIC expresses its full support for those proposals.

IV. CONCLUSION

For the reasons stated above, BASIC respectfully requests that the Commission adopt the Proposed Decision with the modifications recommended herein. BASIC's proposed Finding of Facts and Ordering Paragraphs are attached hereto in Attachment A.

Respectfully submitted

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ATTACHMENT A

BASIC PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Pursuant to Rule 14.3(b), BASIC proposes the following redlined modifications to the Findings of Fact and the Strategic Objectives contained in the Proposed Decision.

Proposed Modifications to Strategic Objective #4

> **Finding of Fact:** Strategic Objective 4: Reducing Cost of Whole Home **and Building** Electrification addresses the high cost of residential building electrification **and the need for an affordable, comprehensive building decarbonization strategy.**
>
> **Strategic Objective #4:** "Reducing Cost of Whole Home **and Building** Electrification**.** The EPIC program will accelerate innovation, demonstration, and reliable and scalable approaches to **accelerating building electrification and flexible demand strategies, prioritizing** deployment**s** that help reduce the all-in cost of whole-home electrification and enable demand flexibility / automated response to process signals or dynamic rates for single-family, multi-family, buildings and manufactured housing by 50%, while decreasing consumers' energy costs, by 2035."

Proposed Modifications to Strategic Objective #7

> **Finding of Fact:** Strategic Objective 7: Impacts Research for New Generation and Storage addresses the lack of **technical evaluation and** California-specific analysis

on the risk of unintended lifecycle impacts ~~from~~ **needed to develop and advance** emerging clean energy technology and processes, including the ability to achieve the State's goals cost-effectively in consideration of affordability.

Strategic Objective #7: "The EPIC program will conduct new **technical**, lifecycle, and techno-economic analysis, as needed, to identify **and develop** the emerging zero-carbon technologies with the lowest adverse and highest beneficial economic, land, air, water, net energy, health, and safety impacts on California communities, including DVCs."

Finally, BASIC supports the proposed new Findings of Fact and Ordering Paragraph on entrepreneurial programs proposed by the Los Angeles Cleantech Incubator and Cleantech San Diego in their joint comments.