



WORK SESSION MEMO

DEPARTMENT	PRESENTED BY	DATE
Administration	Sara Law- Sustainability Coordinator/PIO	May 20, 2024

BACKGROUND

This memo is intended to provide the justification for the Sustainability Committee's support for Electric Preferred as the most cost-effective solution to reduce greenhouse gas emissions and advance the City's Climate Action Plan.

On July 20th, 2021 City Council adopted Resolution 2021-27 adopting a Climate Action Plan for the City of Salida. In subsequent years, City Council began the implementation for an Energy Action Plan with our Partners in Excel Energy and codified our Sustainability Committee. As part of these steps, the Salida Municipal Code empowers the Sustainability Committee to both assist the City Council to implement its Climate Action and Energy Action Plans and update and advocate for the advancement of local guidelines and codes to lower energy consumption. § 2-18-40 (b) and (d), Salida Municipal Code.

Pursuant to this charge, the Committee recommends the City Council pass a resolution supporting Chaffee County's adoption of electric preferred amendments to the County's Energy Conservation Code. Salida's Climate Action Plan specifically recommends the city adopt energy efficiency standards for new construction that exceed the minimum standards. In addition to this, the Committee determined that the electric preferred amendments to the Energy Conservation Code would be a modest and meaningful step the City should take towards achieving its overarching goal to reduce energy-related carbon emissions by at least 50% by 2030, but the amendments would also reduce the energy burden for homeowners and businesses, while preserving developer choice and options to meet energy efficiency goals.

The United States' most recent National Climate Assessment concluded that while greenhouse gas emissions are falling, the current rate of decline is not nearly enough to meet targets necessary to avoid the greatest risks of climate change. Moreover, the Assessment indicated that every fraction of a degree of additional warming we can avoid decreases climate-related risks in the future. Since time is of the essence, the City's biggest bang for its buck in terms of reducing greenhouse gas emissions is in the City's largest source of greenhouse gas emissions – energy use from buildings. Residential and commercial building energy use in Salida make up 38% of Salida's GHG emissions according to the 2018 Salida GHG Emission Inventory. Importantly, nearly 75% of energy use in Salida buildings is fueled by methane, the primary component of gas fossil fuel, which is 28 times as potent as carbon dioxide at trapping heat in the atmosphere. The electric preferred amendments would effectively curb GHG emissions in new homes and commercial spaces by encouraging all-electric construction or, alternatively, requiring that new construction using gas include additional energy efficiency measures.

The Committee believes adopting the electric preferred amendments presents a fair compromise between maintaining developers' choice to include gas appliances in new construction, while at the same time reducing GHG emissions and utility bills for new home and business owners through electrification and additional energy efficiency. In addition, adopting more energy efficient energy code standards now future-proofs new home and business owners from increasing costs of fossil fuels and from future rules and laws, which may mandate a more aggressive transition to clean energy.



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The Sustainability Committee also recommends that the Council not lose sight of the intergenerational equity at stake when it comes to reducing GHG emissions to limit the impacts of climate change. As a tourist based economy, we are arguably more subject to the consequences of climate change to our industries like skiing, rafting, biking etc. The decisions that Council makes now to reduce GHG impacts future generations of Salidans from the impacts of climate change.

Key Questions

The section below intends to provide latest research, literature, and case studies on how electric preferred could impact Salida's housing affordability, provide an update on Colorado's, long term energy forecasting and supply, and address the benefits of such a decision to Salida's business sector.

1) Housing Affordability

Local and regional cost studies conclude that the electric preferred amendments to the Energy Code are unlikely to have significant cost impacts to affordable housing. Instead, affordable housing proposals coupled with energy efficient designs are more likely to reduce the energy burden for low-income homeowners and renters and may be more competitive for state and federal housing grants. In 2022, Eagle County, Colorado contracted Denver-based consultant, Lotus Engineering and Sustainability, to evaluate the benefits and costs of potential updates to the county's energy code, including electric preferred, in a code update analysis report. At the time Lotus' report was drafted, data wasn't available to quantify benefits and costs for every energy code update scenario, however, Lotus concluded that the upfront costs to build to the potential update standards were not significantly higher than the upfront costs to build to the 2021 IECC standards. This conclusion is in line with other regional reports, including [Rocky Mountain Institute's 2020 analysis](#), which found that upfront costs to build all electric, single-family homes were lower than mixed fuel homes in six out of seven of the cities it evaluated and the net present value of new all-electric, single family homes is lower than mixed-fuel homes in all seven of the cities it evaluated. Moreover, [Lotus' report](#) found that under any energy code update scenario building occupants could expect to benefit from annual energy cost savings and reductions in greenhouse gas emissions. Although electric appliances can in some cases be more expensive than their gas equivalents the big savings on upfront costs come from avoiding gas connection and piping costs. Notably, in 2023 the Colorado Legislature passed and the Governor signed [SB23-291](#), which among other things requires gas utility companies to remove incentives that lower the cost of establishing gas service to new properties. In other words, the cost of establishing gas connections at new homes and commercial spaces is continuing to rise.

Finally, there is an array of affordable housing grants that require or incentivize applicants to submit proposals that incorporate energy efficiency. Both the federal Low Income Tax Credit and Colorado's Prop 123 affordable housing program prioritize and preference applications that can show the proposed housing developments will be energy efficient and address federal and state climate change objectives. Adopting the electric preferred amendments to the energy code would likely increase Salida's odds of being awarded critical affordable housing grants.

2) Impact on Local Businesses

As is the case in the affordable housing context, the Lotus report also found that updates to the energy code further incentivizing electrification and energy efficiency would be unlikely to significantly increase the cost to new commercial space development. In fact, Lotus' analysis revealed that all-electric commercial buildings have an upfront cost savings as compared to mixed-fuel commercial buildings. Similar to new residential buildings, new commercial buildings constructed according to updates to the 2021 energy code would also reduce the energy burden for local businesses and their greenhouse gas emissions. It's important to reiterate that the electric preferred amendments to the



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energy code would only apply to newly constructed commercial spaces, not existing commercial space. Lastly, adopting electric preferred amendments would also make it more likely for local commercial developers to take advantage of once-in-a-generation tax incentives through the Inflation Reduction Act, such as the [Section 179D tax deduction](#) and [Section 45L tax credits](#), which are only available to developers that can meet heightened energy efficiency requirements.

3) Colorado Energy Forecast

Encouraging the development of electric homes and businesses in Colorado and in Salida, in particular, will not pose electricity supply challenges for the electric utilities charged with supplying this power. In a May 6, 2024 email communication with Imogen Ainsworth, Xcel Energy's contracted facilitator for Salida's Energy Action Plan, Ainsworth confirmed there are no concerns with Xcel's grid capacity as it relates to the electric preferred adoption. Moreover, under Colorado law, every four years the electric utilities serving Salida must forecast and produce an Electric Resource Plan (ERP) that ensures each utility's electric supply meets current and forecasted electric demand. For example, Xcel Energy produced its [most recent plan in 2021](#), which forecasted electric supply and demand out to 2030. In addition to ensuring Xcel's electric supply meets current and future electric demand, Xcel Energy also maintains an 18% planning reserve margin above peak energy demand. In other words, Xcel Energy maintains the capability to produce more energy than it expects to need at peak demand to ensure reliability. No electric utilities serving the City of Salida have reported an inability to meet current or future electric needs in this community.
