

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: February 27, 2025

PREPARED BY: Chris Escobedo, Assistant City Manager

SUBJECT: RESOLUTION OF CONCERN REGARDING SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT'S PROPOSED AMENDMENTS TO RULES 1111 AND 1121, PHASING OUT GAS WATER HEATERS AND FURNACES

RECOMMENDATION:

Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, EXPRESSING CONCERN REGARDING THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT'S PROPOSED AMENDMENTS TO RULES 1111 AND 1121, PHASING OUT GAS WATER HEATERS AND FURNACES."

BACKGROUND/ANALYSIS:

The South Coast Air Quality Management District (South Coast AQMD) has proposed amendments to Rules 1111 and 1121, targeting the reduction of nitrogen oxides (NOx) emissions from natural gas-fired furnaces and water heaters. These amendments aim to transition toward zero-emission electric appliances, thereby improving air quality in the region.

Summary of the Proposed Amendments

Rule 1111: Expands its scope to include previously unregulated units, such as wall furnaces, floor furnaces, and commercial furnaces up to 2,000,000 British Thermal Units per hour (Btu/hr). The amendments establish future deadlines by which new installations must utilize zero-emission electric appliances, with different timelines for new construction and existing buildings.

Rule 1121: Establishes zero-emission electric requirements for new installations of natural gas-fired water heaters, with compliance deadlines varying between new and existing buildings.

While the proposed amendments aim to improve air quality, concerns have been raised by several cities and organizations within the South Coast AQMD territory. At the February 13 meeting of the Palm Desert City Council, the Council expressed concerns regarding the proposed amendments and requested that staff provide additional information along with a proposed resolution for the Council's consideration.

Key concerns include:

- High Up-Front Costs: While incentives exist, homeowners and renters may still face significant out-of-pocket expenses when transitioning to electric appliances.
- Potential Grid Strain: Increased reliance on electric heating could place additional demand on California's electric grid, particularly during peak usage periods.

- **Implementation Challenges:** Ensuring a smooth transition may require additional infrastructure improvements, trained installers, and public awareness campaigns.
- **Consumer Choice and Feasibility:** Some stakeholders emphasize the need to maintain consumer choice, suggesting that a complete shift to zero-emission appliances may not be feasible for all consumers due to technological readiness and infrastructure limitations.

The South Coast AQMD board has recognized the potential financial impact on homeowners and renters and has delayed the adoption of the proposed rules. The board has also directed South Coast AQMD staff to conduct additional outreach and further develop incentive and rebate programs to reduce costs for homeowners. The implementation schedule has been postponed, with South Coast AQMD considering delaying compliance until 2029 (subject to change). Additionally, South Coast AQMD is launching the **Go Zero Pilot Incentive Program** to encourage the adoption of zero-emission heating appliances. The program allocates:

- \$9 million for single-family properties
- \$5 million each for multi-family properties and small businesses
- \$2 million for installer training, outreach, and resident support to ease the transition

The South Coast AQMD **Stationary Source Committee** is scheduled to consider the proposed rules at its March 21, 2025, meeting, with the full South Coast AQMD board set to review the rules, based on the committee's recommendations, on May 2, 2025.

The **Coachella Valley Association of Governments (CVAG) Energy & Sustainability Committee** received a report from South Coast AQMD at its February 13, 2025, meeting. City staff reached out to CVAG staff for additional information. While CVAG has not formally weighed in on the matter, it has participated in South Coast AQMD's working group on the proposed amendments. CVAG reports that key changes are being considered to mitigate the impact of the transition to zero-emission appliances; however, further details will not be available until early March 2025.

City staff has prepared the attached resolution for Council consideration to express concerns regarding the proposed rules.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

There is no financial impacts associated with this action.

ATTACHMENT:

1. Resolution