PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
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February 21, 2014

Advice Letter SDG&E 2498-E-A/2210-G-A et.al.

To:

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Tariff Manager
Southern California Gas Company
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Subject: Disposition approving SDG&E Advice Letter 2498-E-A/2210-G-A et. al. to implement a residential HVAC upstream incentive pilot

Dear Ms. Caulson, Mr. Jazayeri, Mr. Starck, Mr. Cherry and Mr. Newsom:

SDG&E Advice Letter 2498-E-A/2210-G-A was filed jointly as directed in Ordering Paragraph (OP) 6 of D. 12-11-015. The Decision requires the investor-owned utilities (IOUs)[1] to file an AL with a proposal for a residential HVAC upstream incentive pilot program (the upstream pilot). Energy Division (ED) has determined after review and analysis that SDG&E Advice Letter (AL) 2498-E-A/2210-G-A, SCE AL 2919-E-B, SoCalGas AL 4514-G-A and PG&E AL 3395-G-A/4241-E-A (the Joint AL) is compliant with D. 12-11-015 (the EE Decision) and is approved effective July 30, 2013.

[1] Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas).

The initial Joint AL was timely filed on July 1, 2013. On July 20 and July 22, 2013 Heating, Air Conditioning, Refrigeration Distributors Institute (HARDI), M.S.D.C, Sigler Wholesale Distributors (Sigler), The Utility Reform Network (TURN) and Women's Energy Matters (WEM) all filed timely protests to the AL. On July 29, 2013 the IOUs filed a joint reply to the protests.

On October 4, 2013, staff requested the IOUs to file a supplemental AL addressing concern raised in protest and by staff in its review. On November 8, 2013, the IOUs filed their supplement AL, which was timely protested by HARDI on December 2, 2013. Finally, on December 9, 2013 the IOUs filed a joint reply to the HARDI protest. On December 2, 2013 SCE filed supplemental AL 2919-E-B correcting an error in their budget allocation to non-incentive costs. Staff waived the protest period for SCE's second supplemental AL.

Pursuant to GO 96-B Section 7.5.2 on July 26, 2013, staff suspended the AL to allow more time for review. On October 11, 2013 and December 20, 2013 SDG&E, on behalf of the Joint IOUs, agreed to extend the initial review period to January 21, 2014. On January 21, 2014 SDG&E agreed to extend the review period until February 4, 2013.

Attachment 1 contains a detailed discussion of the protests, replies and our determination that the Joint AL is compliant with OP 6 of the EE Decision. In addition to our overall approval of the Joint AL, we direct the IOUs, as recommended by TURN to monitor the effectiveness of providing participating distributors QI/QM program collateral as a strategy to encourage qualifying equipment to also participate in the QI/QM program.

Please contact Nils Strindberg of the Energy Division staff at 415-703-5219 (ns2@cpuc.ca.gov) if you have any questions.

Sincerely,

Edward Randolph, Director
Energy Division

cc: Service List A.12-07-001 et al.
Simon Baker, Energy Division
Hazlyn Fortune, Energy Division

Attachment 1

Review and Analysis

I. Background

Decision 12-11-015 (the EE Decision), OP 6 states:

> "Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall propose an upstream incentive program for distributors of residential heating, ventilation, and air-conditioning equipment in a Tier 2 advice letter by no later than April 1, 2013."

On March 19, 2013 SDG&E, on behalf of the Joint IOUs (Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company), requested a three-month extension until July 1, 2013, to comply with OP 6 of the EE Decision. The IOUs' request was approved by the Commission's Executive Director on March 28, 2013.

Pursuant to GO 96-B Section 7.5.2 on July 26, 2013, staff suspended the AL to allow more time for review. On October 11, 2013 and December 20, 2013 SDG&E, on behalf of the Joint IOUs, agreed to extend the initial review period to January 21, 2014. On January 21, 2014 SDG&E agreed to extend the review period until February 4, 2013.

The initial Joint AL was timely filed on July 1, 2013. On July 20 and July 22, 2013 Heating, Air Conditioning, Refrigeration Distributors Institute (HARDI), M.S.D.C, Sigler Wholesale Distributors (Sigler), The Utility Reform Network (TURN) and Women's Energy Matters (WEM) all filed protests to the AL. On July 29, 2013 the IOUs filed a joint reply to the protests. On October 4, 2013, staff requested the IOUs to file a supplemental AL addressing concern raised in protest and by staff in its review. On November 8, 2013 the IOUs filed their supplement AL, which was timely protested by HARDI on December 2, 2013. Finally, on December 9, 2013 the IOUs filed a joint reply to the HARDI protest. On December 2, 2013 SCE filed supplemental AL 2919-E-B correcting an error in their budget allocation to non-incentive costs. Staff waived the protest period for SCE's second supplemental AL.

II. Party Protests and Reply Comments to the initial AL filing

Parties protests focused on a number of areas, including: rebates and eligible equipment; promoting quality installation (QI) and code compliance and data collection requirements.

Rebates and Equipment Eligibility:

HARDI, Sigler and WEM all protested the rebate levels and equipment eligibility in the proposed upstream pilot in the initial Joint AL filed on July 1, 2013. HARDI and Sigler claim that the IOUs proposed rebates in their July filing are too low to cover enough of the incremental cost and justify the investment of moving from code compliant HVAC equipment to higher efficiency equipment. HARDI and Sigler add that the rebate structure is unlikely to encourage distributors of residential HVAC equipment to significantly alter equipment stocks.

The IOUs counter, in their July 19, 2013 reply comments, that their proposed rebates cover between 25% and 75% of the incremental cost according to the Database for Energy Efficiency Resources (DEER) data. The IOUs claim that maintaining incentive levels at no more than 75 percent of the incremental measure cost is necessary to improve program cost effectiveness.

Sigler and WEM also claim that the rebate ranges proposed by the IOUs in their July filing are confusing. Both parties believe that the IOUs incentive ranges are based on climate zones which they find problematic. Sigler and WEM maintain that the proposal in the AL would be nearly impossible to implement because in some parts of the state there are many different climate zones in close proximity. Sigler and WEM maintain this would require the distributor know where the equipment was installed to set a price; and would require the contractor to know what price the distributor would set before they quote a homeowner. Sigler asserts this would require too much investigation for every job.

The IOUs agree in their July 29, 2013 reply comments that it would be confusing to offer different incentive levels for the same measure based on climate zone. The joint IOUs assert that their proposal did not intend to imply that there would be different incentive levels in different climate zones or by time of year. The IOUs claim that when the program is approved and officially launched, only one incentive level for each measure will be offered regardless of climate zone.

In their protests, HARDI and Sigler also state that as filed in the July AL the equipment eligible for rebates is too limited to gain uptake. The IOUs' original proposal limited eligibility to only Tier 3 HVAC equipment.[2] HARDI and Sigler argue that the IOUs should provide incentives for the two lower Tiers (1 and 2) of higher efficiency HVAC equipment which have potentially greater sales volume. However, WEM believes that providing a rebate for only Tier 3 HVAC equipment is appropriate. In their reply comments the IOUs agree with WEM and add that for the initial pilot offering, a smaller population of distributors is sufficient to gauge the potential success of continuing a residential HVAC distributor incentive program beyond this program cycle.

HARDI and WEM also argue, in their protests, that Advanced Main Circulating Fans should be eligible for rebates. The IOUs respond in their reply comments that motor upgrades are currently part of the Residential Quality Maintenance (RQM) program.

Promoting QI and Code Compliance:

M.S.D.C. and TURN protested the July AL claiming that the pilot fails to promote QI or code compliance. M.S.D.C. believes that the program design doesn't support two of the four HVAC goals of the California Long Term Energy Efficiency Strategic Plan: namely, (1) promoting quality work or (2) improving code compliance.[3] TURN also asserts that the program is missing the opportunity to influence the proper sizing and installation of new residential HVAC equipment.

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[2] Tier 3 HVAC equipment is the most efficient classification of equipment, while Tier 2 is less efficient than Tier 3 and Tier 1 is less efficient than Tier 2.

[3] The four HVAC related Strategic Plan goals are: consistent and effective compliance; quality installation and maintenance becomes the norm; whole building design and construction practices fully integrate building performance objectives to reduce cooling and heating loads and new climate appropriate HVAC technologies are developed with accelerated market penetration.

Moreover, TURN adds that the program will squander potential energy savings with the installation of high efficiency equipment which meet the requirements of the upstream incentive program but are improperly installed or maintained. The IOUs reply that the purpose of the proposed residential HVAC distributor incentive program is to explore if such a program can be designed and implemented, in order to achieve a level of energy savings success similar to the commercial HVAC distributor incentive program model. They add that other parts of the Residential HVAC subprogram that are focused on improving the quality of installations and this pilot does include cross pollination of these other subprogram elements.

Data Collection:

HARDI, TURN and WEM expressed concern in their July protests regarding the pilot's proposed data collection procedures. In their protests TURN and WEM recommended that the Commission order the utilities to incorporate data collection procedures into the residential HVAC upstream incentive they believed would improve code compliance. WEM states that the distributors should provide the installation address; unit size; certified performance data; serial number and date of installation. TURN added three additional suggestions they allege would facilitate improved permit and code compliance and QI/quality maintenance (QM):

- First, TURN recommends that the Commission should require that the utilities monitor the effectiveness of providing QI/QM program collateral to participating distributors in terms of encouraging those purchasing and/or installing the qualifying equipment to also participate in the QI/QM program.
- Secondly, TURN suggests that the distributors provide the: Air Conditioner, Heating and Refrigeration Institute AHRI number; serial number, tonnage and signed application for proof of sale.
- Finally, and TURN believes most importantly, they want program participants to collect the CEC's CF-1R (for new construction) or CF-1R-Alt (for building alterations) registration number, which is the unique CEC certificate of compliance number associated with the residential project for which the HVAC equipment is being purchased.

HARDI claims, in their protest, that the IOUs proposed data collection protocols need further scrutiny.[4] Furthermore, they claim the IOU proposal will severely limit distributor participation so any surveying of participating companies will be an insufficient and misleading sample that is not reflective of the overall market. HARDI also claims that distributors are wary of unnecessary bureaucratic complexity – especially if the end result could lead to reduced or eliminated financial incentives. Finally, HARDI and TURN believe that the IOUs should work with the CPUC and other stakeholders to identify data needs and program design opportunities going forward.

The IOUs disagree with TURN that they should have to have to collect the CEC'S CF-1R registration numbers, because they claim that the upstream pilot is only part of the residential HVAC portfolio and the other programs are designed to support code compliance. The IOUs agree with WEM's request that the distributors should provide the installation address; size; certified performance data; serial number and date of installation and claim the program already includes these components. The IOUs maintain that they intend to work with stakeholders on the data needs and maintain that the residential upstream program will have the same data requirements as the commercial program.

[4] The IOUs propose collecting the following information from the distributor: installation address, size, performance data, serial number, and date of installation as a requirement for payment of incentives.

III. Supplemental Advice Letter Filing and Responses

On October 4, 2013 staff requested the IOUs to file a supplemental AL filing addressing issues raised in protests and staffs own review. Specifically staff directed broadening the eligible equipment and raising incentive levels. On November 8, 2013 the IOUs filed their supplemental ALs, which were protested by HARDI on December 2, 2013.

In their protest of the supplemental AL HARDI claims that HVAC distributors are wary of providing data that they believe may result in reduced financial incentives. They support the use of an independent "data steward" that could be worked into the implementation of the program and suggest that their current data aggregator could perform this role. HARDI also claims to be sensitive to the IOUs concerns about how this program could influence portfolio cost effectiveness. They suggest testing alternative evaluation methodologies using data provided by the data aggregator.

HARDI also states that while they're encouraged that the efficiency levels targeted for incentives improved over the July filing. However, they still believe that Tier 1 HVAC equipment remains a critical component that must be included for the program to be widely accepted by distributors. HARDI also alleges that a double standard exists when the Energy Upgrade California (EUC) program is allowed to award efficiency savings for "below-code" and less efficient equipment and the residential upstream HVAC pilot is not able to offer this same equipment. HARDI also claims they would support promoting EUC as an "upsell" opportunity for the residential upstream HVAC pilot, if Tier 1 equipment were included.

The IOUs respond that they understand that industry market actors may be uncomfortable with providing program related information to the IOUs, the CPUC or third-parties. They note that their programs are expected to operate and be evaluated in a transparent manner and that it would be difficult for the IOUs and state to continue to support the program if insufficient data was available to evaluate it. The IOUs also add that the role of Commission staff and its consultants is to act as independent evaluators of the IOU programs. Finally, in response to HARDI's suggestion for testing alternative evaluation methodologies using data provided by the data aggregators the IOUs state that per Commission directive it is ED's role to evaluate EE program savings.

The IOUs state that they excluded Tier 1 equipment to keep the scope reasonable for a new pilot, eliminate inter-program competition and avoid double counting of savings with EUC. The IOUs agree with HARDI that there is different saving treatment in EUC as compared to the pilot, however, they clarify that it is not because of an inherent bias. They point out that HVAC replacements in the EUC program are considered "Early-Retirements" of equipment which allow the claiming of savings from the original less efficient equipment for one-third of the measure's Effective Useful Life (EUL) and then from a code baseline for the remaining EUL. The IOUs claim that the upstream pilot is only allowed to claim savings from current code as all equipment in this program is considered a replacement on burnout. The IOUs state that they're unclear about how HARDI would "support promoting EUC", via its members, if Tier 1 measures were added to the residential HVAC upstream pilot.

III. Discussion:

Rebates and Equipment Eligibility:

After review and analysis, staff agrees with HARDI and Sigler that the rebates offered in the original filing for purchasing highly efficient were too low to drive market uptake. However, staff finds the rebates offered in the November supplemental AL filing appropriate.[5] HARDI did not express strong concerns with the rebate levels in their protest to the supplemental.

HARDI, Sigler and WEM commented on what type of equipment should be eligible for rebates in the upstream pilot. The IOUs proposed providing rebates for both Tier 2 and 3 equipment in their supplemental AL; whereas the original filing only included rebates for Tier 3 equipment. Staff finds the IOU's supplemental AL reasonable for reasons below and we approve of this approach. First, we believe that there is considerable risk of double counting of savings of HVAC equipment in the residential upstream pilot and EUC if the upstream pilot were to include Tier 1 HVAC equipment. According to EUC data only two out of the 26 units installed were Tier 2 and 3 equipment (from a sample in the Advanced Home Upgrade program). In addition, the EUC Home Upgrade program only includes SEER 14/15 units currently as eligible A/C measures. We acknowledge the possibility of double counting savings with EUC Advanced Home Upgrade also exists if Tier 2 and 3 equipment are eligible; however we believe this risk is small given how infrequently these measures are installed under EUC. During pilot evaluation activities ED believes it can later examine the potential risk of doubling counting of savings by examining how prevalent Tiers 1, 2 and 3, HVAC equipment are part of EUC retrofits. Secondly, staff agrees with Sigler and HARDI that inclusion of Tier 1 equipment would greatly increase participation. However, staff ultimately agrees with the IOUs that the Commission intends for pilot programs to be reasonably limited in scope. For purposes of this pilot we believe it is prudent to constrain the scope while we test out the program design. The IOUs, in consultation with staff, can always increase the rebates and eligible equipment at a later date if deemed necessary. Finally, we are concerned that if the IOUs were to include the Tier 1 equipment there is a significant likelihood that their proposed budgets would not be sufficient to implement the program for the entire program cycle.

Linkage to Quality Installation (QI) / Quality Maintenance (QM) or Code Compliance:

Staff agrees with M.S.D.C and TURN in their July protests that one of the biggest challenges to HVAC units performing at optimal or rated efficiency is improper installation and maintenance. The Commission directed this pilot with the knowledge that the offering was intended to promote the stocking and selling of high efficiency HVAC equipment and model itself after the success of the commercial upstream HVAC program offering. Along with promoting quality work and improving code compliance, encouraging the stocking of highly efficient and climate appropriate equipment, in and of itself, is an important contributor to achieving California's energy and climate goals. Staff agrees with the IOUs that the residential HVAC offerings[6] and EUC, combined with the upstream pilot, work in concert to achieve the goals of the Strategic Plan for residential HVAC. Staff finds it infeasible to require participating HVAC distributors to collect permit compliance information from contractors because distributor sales occur prior to, and may not be associated with, a specific job for which a permit would be required.

[5] In the November supplemental AL filing the IOUs proposed the rebates would cover between 50-65% of IMC.

[6] Residential Quality Installation and Residential Quality Maintenance.

Furthermore the distributor does not come into direct contact with the equipment installation process by the contractor or end user. Staff encourages the IOUs to work with stakeholders to explore ways the program could incorporate compliance enhancement elements and include this at a later date in an updated PIP.

Data Collection and Evaluating Program Performance:

In their July protests a number of parties commented on data collection requirements for the pilot program, including HARDI, TURN and WEM. In the early stages of this pilot Staff believes the first priority at this early stage is to get program uptake. The pilot could be compromised if the distributors become overburden with data requirements and not choose to participate. Thus, we direct the IOUs to work with staff and its evaluation consultants, HARDI and other stakeholders to identify data collection needs to evaluate this pilot program going forward. These discussions have already begun, and we expect them to continue.

In their December protest HARDI raised additional concerns with data collection and program evaluation procedures. First, they claimed that distributors are wary of providing data to unknown third parties that may result in reduced financial incentives for a program. HARDI suggests having an independent "data steward" for the program and recommend that their data aggregator could perform this role. HARDI respectfully suggest testing alternative evaluation methodologies using data provided by the data aggregator as a means to address the IOUs cost effectiveness concerns.

D.05-01-055 page 114, states that "Energy Division will assume management and contracting responsibilities for all EM&V studies that will be used to: (1) measure and verify energy and peak load savings for individual programs, groups of programs and at the portfolio level, (2) generate the data for savings estimates and cost-effectiveness inputs, (3) measure and evaluate the achievements of energy efficiency programs, groups of programs and/or the portfolio in terms of the "performance basis" established under Commission-adopted EM&V protocols and (4) evaluate whether program or portfolio goals are met." Staff looks forward to getting feedback from HARDI on any proposals they suggest for evaluating the programs. Any data provided by HARDI or its data aggregator would need to be reviewed by the Commission staff. Commission staff will determine what evaluation methods to ultimately employ.

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November 8, 2013

Advice 2498-E-A/2210-G-A
(San Diego Gas & Electric Company - U902-M)

Advice 4514-G-A
(Southern California Gas Company – U 904-G)

Advice 2919-E-A
(Southern California Edison Company – U 338-E)

Advice 3395-G-A/4241-E-A
(Pacific Gas and Electric Company - U 39-M)

Public Utilities Commission of the State of California

SUBJECT: **SUPPLEMENTAL DATA AND UPDATES ON PROGRAM DESIGN AND EM&V REQUEST OF SAN DIEGO GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY FOR UPSTRAM INCENTIVE PROGRAM FOR DISTRIBUTORS OF RESIDENTIAL HEATING, VENTILATION AND AIR CONDITIONING EQUIPMENT IN COMPLIAMCE WITH DECISION 12-11-015**

PURPOSE

San Diego Gas & Electric Company (SDG&E), on behalf of itself, Southern California Gas Company (SCG), Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) (together the Investor-Owned Utilities (IOUs)), hereby submit for filing their supplement to SDG&E Advice 2498-E/2210-G, SCG Advice 4514-G, SCE Advice 2919 E, and PG&E Advice 3395-G/4241-E (Advice 2498-E/2210-G, et. al.), filed July 1, 2013, in response to the Energy Division's request for additional information and program design changes. Supplemental supporting documentation is attached hereto.

BACKGROUND

Ordering Paragraph 6 of D.12-11-015 required the IOUs to propose an upstream incentive program for distributors of residential HVAC equipment in a Tier 2 advice letter by April 1, 2013.

On March 19, 2013 SDG&E, on behalf of the IOUs, requested a three-month extension until July 1, 2013, to comply with OP 6.The IOUs' request was approved by the Commission's Executive Director on March 28, 2013, and the IOUs filed Advice 2498-E/2210-G, et. al. on July 1, 2013.

On July 26, 2013 the Energy Division submitted a Suspension Notice citing "Advice Letter Requires Staff Review".

On October 4, 2013, the Energy Division informed the IOUs via conference call of their request for supplemental information and program design changes, based on feedback received in discussions with industry stakeholders. Specifically, the Energy Division requested the following information be provided through a supplemental advice letter:

- A table that compares both IOU and Industry recommended incremental measure cost (IMC) information
  - Columns:
    1. 2008 Benchmark of Incremental Measure Cost (IMC) data from the Database for Energy Efficient Resources (DEER)
    2. IMCs implied by the Western HVAC Performance Alliance (WHPA) Working Group's proposal
    3. IMC data from Heating, Air conditioning, and Refrigeration Distributors International's (HARDI) data aggregator
  - Rows:
    1. Tier 2 and Tier 3 efficiency specification tiers, related to the WHPA Working Group's proposal and the proposed measures of the IOUs
- Percentage of IMC covered by the incentive levels in the current commercial Upstream HVAC Program addressing industry feedback that residential HVAC IMC needs to be covered via incentive levels at a higher percentage than for commercial HVAC in order to move the market).
- Address concerns from some industry stakeholders regarding the timing of paying rebates to distributors.
- Eliminate the WHPA Working Group's recommended Tier I from consideration, but incorporate add the recommended at Tier 2 incentive levels.
- If the IOUs need their concerns of low cost effectiveness to be considered further, they can file a hardship to the Commission.

SUPPLEMENTAL INFORMATION

Program Design

The residential upstream HVAC equipment incentive program offers incentives to upstream market actors, such as HVAC distributors, to stock and promote qualifying high efficiency residential HVAC equipment. The logic that underscores this program's design is that a relatively small number of upstream market actors are in a position to influence the choice of equipment of thousands of downstream market actors, such as customers, architects, and retailers. With an incentive, these upstream market actors are expected to increase the market penetration of high efficiency HVAC equipment.

The residential upstream HVAC incentive program design is modeled after the successful commercial upstream HVAC incentive program. Incentives are provided to upstream market actors for the sale of high-efficiency residential HVAC systems in the IOUs' service territories, with measures covering air-conditioning units and furnaces to drive a variety of energy savings for customers.

Since the residential HVAC market is different from the commercial HVAC market in terms of the levels of influence of various market actors in affecting customer purchasing behavior, it cannot be assumed that this new program will produce the desired results to increase the market penetration of high-efficiency HVAC units in the residential market. Therefore, an Evaluation, Measurement and Verification (EM&V) plan is needed prior to program launch. The IOUs are working with Energy Division, their EM&V Consultant for HVAC, and industry stakeholders on the details of an updated EM&V plan. Below, the IOUs provide an update of the initial EM&V plan, with some details of that plan still to be completed. The IOUs also invite other interested parties, such as The Utility Reform Network (TURN) and DRA Office Ratepayer Advocates (ORA), to be involved in completing a EM&V plan for this new program.

In keeping with EM&V plan update discussions that have occurred to date with Energy Division and their evaluation contractor, the IOUs updated their program proposal herein to focus the program's geographic scope within each IOU's service territory in order to enable a successful evaluation. The program will not be offered across each IOU's full service territory as was originally proposed, since a program evaluation will be necessary to realize an increase in the number of high-efficiency HVAC systems sold in the geographic area served by this new program. More details of these EM&V considerations are below, in the EM&V section.

The IOUs have provided updated incentive levels for the already proposed set of Tier 3 measures. The IOUs also have added another set of program measures based on the WHPA Working Group's recommendation for a Tier 2 efficiency level, as requested by ED. The currently proposed incentive levels are shown in the Revised Table A attachment. The IOUs had planned to offer Tier 3 measure incentives at a level equal to 50% of IMC as found in DEER, but will increase them to be equal to 65% of the DEER IMC for each measure. The IOUs' proposed incentives for the new Tier 2 incentives are equal to 50% of DEER IMC for each measure. The IOUs hold that these incentive levels are sufficient to conduct this new program test. Additionally, this program design allows for flexibility to adjust incentive levels, if needed. This level of incentive coupled with the implementation of the Single Family Loan Program goes beyond the implementation of simply increasing the incentive to the 85% level as suggested to the ED by industry stakeholders. Working with the loan program the HVAC programs now have the opportunity to offer an immediate solution to customers who could not entertain the idea of upgrading to the higher efficiency unit based on the cost difference. The IOUs see the alignment of these programs as timely and complimentary. The utility approach to utilize a shared incentive approach now becomes more of a carrot as the customers see an immediate "WIIFM" (What's In It For Me) and the distributor is still presented an incentive to stock more efficient units.

Concerns regarding the timing of distributor payments will be addressed in the program design and any issues experienced in the commercial upstream program will provide a best practices or lessons learned as we develop residential upstream.

Program Budget Information

While the IOUs do not set specific detailed budgets below the subprogram level, the following budget information is provided for planning the new program. Funding for this program may increase or decrease during 2013-2014 within the bounds of CPUC fund-shifting rules for management of subprogram and program funds in order to meet IOU energy efficiency portfolio directives and goals. Once the program has launched successfully, the IOUs will re-evaluate the participation level on an on-going basis to gauge market uptake, and to see if adjustments need to be made to the program.

PG&E's Incentive budget for this new trial program is currently set at $1,993,313. Direct Implementation, Administration and Marketing are planned currently to total $655,000, for a total budget of $2,648,313.

SCE's Incentive budget for this new trial program is currently set at $ $209,550. Direct Implementation, Administration and Marketing is planned currently to total $290,450 for a total budget of $ $500,000.

SDG&E's Incentive budget for this new trial program is currently set at $ $357,000. Direct Implementation, Administration and Marketing is planned currently to total $146,370, for a total budget of $ $503,370.

SoCalGas' Incentive budget for this new trial program is currently set at $200,000. Direct Implementation, Administration and Marketing are planned currently to total $50,000 for a total budget of $250,000.

EM&V

The IOUs are working with Heating, Air conditioning, and Refrigeration Distributors International (HARDI) to determine the geographic locations for the program. The programs will target geographic areas that have the following characteristics:

- Have at least three distributors currently working in the location.
- The location's annual sales of high efficiency HVAC equipment must be small enough that the program participation could demonstrate at least a 10% increase in market penetration.
- Hotter climate zones are preferred.

The program will begin after the IOUs are able to find a geographic area that is suitable for this new program test.

Plans for process evaluations and other evaluation efforts specific to this program will be finalized by the ED's evaluation contractor. The 2013-14 EM&V plan for HVAC includes the impact evaluation for this program. The IOUs assume that the baseline for the program will be determined by the ED's evaluation contractor utilizing HVAC unitary shipment data. The IOUs will work with the ED's evaluation contractor to facilitate the calculation of the program baseline.

One of the indicators of a successful program is the ability to properly evaluate it. The IOUs commit to working with the ED's evaluation contractor to ensure that the program is collecting the necessary data to evaluate the program, and that the program is designed to facilitate the evaluation. Meetings with the ED's evaluation contractor are ongoing and the IOUs are working with the evaluation contractor to discuss evaluation methodologies. The IOUs will collaborate with the ED's evaluation contractor to facilitate the program evaluation.

ATTACHMENT

Revised Table A

The attachment provides an updated Table A for measures and incentives that include additional reference information requested by the Energy Division about residential HVAC IMCs and to add Tier 2 measures.

The IOUs recognize the success of commercial upstream programs. At the request of the ED the IOUs examined what percentage of IMC these programs covered. There is slight variation across the measures for each IOU, but in general rebate amounts for AC equipment are 50% of the IMC and rebates for heat pump equipment are 96% of IMC for PG&E and SCE. SDG&E's upstream program rebate amounts are approximately 40% for both types of equipment.

EFFECTIVE DATE

The IOUs respectfully request that this Tier 2 supplemental advice filing be approved concurrently with the IOUs' July 1, 2013 advice filing and become effective on December 8, 2013, which is 30 calendar days after the date of filing.

PROTEST

Anyone may protest this Supplemental Advice Letter to the California Public Utilities Commission. However, the protest shall be limited to the substance of this supplemental filing (G.O. 96-B, Section 7.5.1). The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than November 28, 2013, which is 20 days from the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via both e-mail and facsimile to the IOUs at the addresses shown below on the same date it is mailed or delivered to the Commission.

For SDG&E:

Megan Caulson
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Facsimile No. (858) 654-1879
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For SoCalGas:

Sid Newsom
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NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.09-11-014 and A.12-07-001, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed.

Address changes should be directed to the emails or facsimile numbers above.

CLAY FABER
Director – Regulatory Affairs

Attachment

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:	Contact Person: Christina Sondrini
☒ ELC ☒ GAS	Phone #: (858) 636-5736
☐ PLC ☐ HEAT ☐ WATER	E-mail: csondrini@semprautilities.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: 2498-E-A/2210-G-A, et al

Subject of AL: Supplemental Data and Updates on Program Design and EM&V Request of SDG&E, SCG, SCE & PG&E for Upstream Incentive Prgm for Distributors of Residential HVAC Equipment in Compliance with D.12-11-015

Keywords (choose from CPUC listing): Energy Efficiency, Compliance

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.12-11-015

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: N/A

Resolution Required? ☐ Yes ☒ No Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 12/8/13 No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division	**San Diego Gas & Electric**
Attention: Tariff Unit	**Attention: Megan Caulson**
505 Van Ness Ave.,	**8330 Century Park Ct, Room 32C**
San Francisco, CA 94102	**San Diego, CA 92123**
EDTariffUnit@cpuc.ca.gov	**mcaulson@semprautilities.com**

[1] Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission
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S. Cauchois
R. Pocta
W. Scott
Energy Division
P. Clanon
S. Gallagher
D. Lafrenz
M. Salinas
CA. Energy Commission
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San Diego Regional Energy Office
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School Project for Utility Rate Reduction
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K. Gansecki
H. Romero
TransCanada
R. Hunter
D. White
TURN
M. Hawiger
UCAN
M. Shames
U.S. Dept. of the Navy
K. Davoodi
N. Furuta
L. DeLacruz
Utility Specialists, Southwest, Inc.
D. Koser
Western Manufactured Housing
Communities Association
S. Dey
White & Case LLP
L. Cottle
Interested Parties In:
A.12-07-001
A.12-07-002
A.12-07-003
A.12-07-004
R.09-11-014

Revised Table A - Measures and Incentive Levels, IMC Information

Equipment Type		WHPA Working Group Tier Recommendation	Minimum Efficiency Rating	Units of Measure	IOU Previously Proposed Incentive Level[1]	IOU New Proposed Incentive Level (50%, 65% of IMC for Tiers 2 & 3, respectively)	DEER IMC	DEER Res. IMC at 50%	DEER Res. IMC at 65%	WHPA Working Group Incentive Recommendation	WHPA Working Group % of DEER IMC	HARDI's Data Aggregator's IMC
Air Conditioners	Split System	Tier 3	18 SEER (13 EER)	Tons	$179	$387	$596	$298	$387	$500	84%	Not available
		Tier 2	17 SEER (12 EER)	Tons	N/A	$238	$476	$238	$309	$350	74%	Not available
	Package Unit	Tier 3	16 SEER (12 EER)	Tons	$179	$232	$357	$179	$232	$600	168%	Not available
		Tier 2	15 SEER	Tons	N/A	$119	$238	$119	$155	$400	168%	Not available
	With Evaporatively Cooled Condensing Units	N/A[2]	14.5 EER	Tons	$454	$590	$908	$454	$590	N/A[2]	N/A[2]	Not available
Heat Pumps	Split System	Tier 3	18 SEER (13 EER), 9 HSPF Split HP	Tons	$206	$445	$685	$343	$445	$550	80%	Not available
		Tier 2	17 SEER, 9 HSPF Split HP	Tons	N/A	$274	$548	$274	$356	$400	73%	Not available
	Package Unit	Tier 3	16 SEER (12 EER), 9 HSPF Pkg HP (DEER Split)	Tons	$206	$267	$411	$206	$267	$800	195%	Not available
		Tier 2	15 SEER, 8 HSPF Pkg HP (DEER Split)	Tons	N/A	$137	$274	$137	$178	$500	182%	Not available
Furnace	Furnace	Tier 3	97% AFUE Furnace	House	$286	$313	$481	$241	$313	$500	104%	Not available
Furnace	Furnace	Tier 2	96% AFUE Furnace	House	N/A	$179	$358	$179	$233	$400	112%	Not available

Notes

1 A range was given, but planned to have an incentive at mid-point for launch

2 The WHPA Working Group did not recommend to include a measure for evaporatively cooled A/C systems; however, the IOUs included this measure in support of the California Long-Term Energy Efficiency Strategic Plan's goal to increase market share of climate-appropriate HVAC equipment in CA.