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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 UPSTREAM INCENTIVE PROGRAM FOR DISTRIBUTORS OF RESIDENTIAL HEATING, VENTILATION AND AIR CONDITIONING EQUIPMENT IN COMPLIANCE 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 1 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](mailto: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  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1879  
E-mail: [MCaulson@semprautilities.com](mailto:MCaulson@semprautilities.com)

**For SoCalGas:**

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Tariff Manager – GT14D6  
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**For SCE:**

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Senior Vice President, Regulatory Policy & Affairs c/o Karyn Gansecki  
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**For PG&E:**

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Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
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Facsimile: (415) 973-7226  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**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.

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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:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Christina Sondrini

Phone #: (858) 636-5736

E-mail: csondrini@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric                      GAS = Gas  
 PLC = Pipeline                      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

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<sup>1</sup>: 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<sup>1</sup>: 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**  
**Attention: Tariff Unit**  
**505 Van Ness Ave.,**  
**San Francisco, CA 94102**  
**EDTariffUnit@cpuc.ca.gov**

**San Diego Gas & Electric**  
**Attention: Megan Caulson**  
**8330 Century Park Ct, Room 32C**  
**San Diego, CA 92123**  
**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

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

cc: (w/enclosures)

Public Utilities Commission

DRA

S. Cauchois  
R. Pocta  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Cameron

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

H. Nanjo  
M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynergy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

San Diego Regional Energy Office

S. Freedman

J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Southern California Edison Co.

M. Alexander  
K. Cini  
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 <sup>1</sup>	IOU New Proposed Incentive Level (50%, 65% of IMC for Tiers 2 & 3, respectively)	DEER IMC	DEER Res. IM Cat 50%	DEER Res. IM Cat 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 <sup>2</sup>	14.5 EER	Tons	\$454	\$590	\$908	\$454	\$590	N/A <sup>2</sup>	N/A <sup>2</sup>	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.

PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV

1st Light Energy  
AT&T  
Alcantar & Kahl LLP  
Anderson & Poole  
BART  
Barkovich & Yap, Inc.  
Bartle Wells Associates

Braun Blasing McLaughlin, P.C.  
California Cotton Ginners & Growers Assn  
California Energy Commission  
California Public Utilities Commission  
California State Association of Counties  
Calpine  
Casner, Steve  
Cenergy Power  
Center for Biological Diversity  
City of Palo Alto  
City of San Jose  
Clean Power  
Coast Economic Consulting  
Commercial Energy  
County of Tehama - Department of Public Works  
Crossborder Energy  
Davis Wright Tremaine LLP  
Day Carter Murphy  
Defense Energy Support Center  
  
Dept of General Services  
Division of Ratepayer Advocates

Douglass & Liddell  
Downey & Brand  
Ellison Schneider & Harris LLP  
G. A. Krause & Assoc.  
GenOn Energy Inc.  
GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz & Ritchie  
Green Power Institute  
Hanna & Morton  
InHouse Energy  
International Power Technology  
Intestate Gas Services, Inc.  
K&L Gates LLP  
Kelly Group  
Linde  
Los Angeles Dept of Water & Power  
MRW & Associates  
Manatt Phelps Phillips  
Marin Energy Authority  
McKenna Long & Aldridge LLP  
McKenzie & Associates  
Modesto Irrigation District  
  
Morgan Stanley  
NLine Energy, Inc.  
NRG Solar  
Nexant, Inc.  
  
North America Power Partners  
Occidental Energy Marketing, Inc.

OnGrid Solar  
Pacific Gas and Electric Company  
Praxair  
Regulatory & Cogeneration Service, Inc.  
SCD Energy Solutions  
SCE  
SDG&E and SoCalGas  
  
SPURR  
San Francisco Public Utilities Commission  
Seattle City Light  
Sempra Utilities  
SoCalGas  
Southern California Edison Company  
Spark Energy  
Sun Light & Power  
Sunshine Design  
Tecogen, Inc.  
Tiger Natural Gas, Inc.  
TransCanada  
Utility Cost Management  
Utility Power Solutions  
Utility Specialists  
  
Verizon  
Water and Energy Consulting  
Wellhead Electric Company  
Western Manufactured Housing Communities Association (WMA)