**T2WG Report on Tasks 1-4, DRAFT v1 (6/6/2017)**

This is a preliminary draft report that attempts to outline the major discussions, areas of agreement, proposals, recommendations, and stakeholder positions. Everything in this preliminary draft should be considered draft and unvetted. All stakeholders have the opportunity to adjust, clarify, or expand their positions as represented in this document.

Yellow highlight indicate areas requiring additional work or stakeholder feedback.

Please send comments/feedback/suggestions to [t2wg@cadmusgroup.com](mailto:t2wg@cadmusgroup.com).

The table summarizes the status of each task and recommended next steps.

|  |  |  |
| --- | --- | --- |
| Task | Status | Next Steps |
| 1 | Stakeholders working on updated to Task 1 document based on additional feedback | * Collect revised draft by \_\_\_\_\_\_ * **Convene phone working group to address final edits** \_\_\_\_\_\_ * Distribute final draft to incorporate in report, for final stakeholders comments \_\_\_\_\_\_ |
| 2 | Report includes multiple proposals, but is missing positions and proposals in key areas | * 2-1 Determine whether to proposal a lower tier level for small projects * 2-2 Collect/discuss potential evidence types for equipment operation * 2-3 Determine guidance for required content in questionnaires * 2-4 Expand/discuss proposals on administration of surveys * 2-5 Revise/select language for affidavit * **Convene phone working group to discuss** \_\_\_\_\_\_ |
| 3 | Two existing proposals on documentation need to be updated based on Staff guidance | * Collect revised draft by \_\_\_\_\_\_ * **Convene phone working group to address final edits** \_\_\_\_\_\_ * Distribute final draft to incorporate in report, for final stakeholders comments \_\_\_\_\_\_ |
| 4 | Report includes multiple recommendations | * Stakeholders should comment on existing recommendations, suggest modifications, or suggest additional recommendations |
| General | Report will be updated according to the schedule posted on the T2WG calendar | * Stakeholders should provide comments on the report to confirm accurate and complete characterization of positions * Stakeholders should provide data & evidence to support positions and statements * Stakeholders should provide examples (hypothetical examples are OK!) to help clarify specific policy or position statements. * Stakeholders may provide general comments or recommendations T2WG report follow-up or additional needs. |
| Flow | Latest flow chart is out of date | * Update flow chart based on stakeholder feedback and provide context and relation to tasks |

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# Introduction

CPUC Decision 16-08-019 directed Commission staff to convene two stakeholder working groups to address several specific issues:

* The Track 1 Working Group (T1WG) convened in October 2016 to discuss measure-level baseline assignments and preponderance of evidence (POE) requirements, and it produced the Track 1 Working Group Report on December 7, 2016.
* The Track 2 Working Group (T2WG) was designed to discuss streamlining the custom ex ante review process and to refine the Industry Standard Practice (ISP) Guidance document.

On March 2, 2017 the CPUC issued final Resolution E-4818 in response to the T1WG Report. Among other orders, the resolution states:

*“We ask the Track 2 working group to address the following in their deliberations and recommendations, and that recommendations be presented to Commission staff no later than June 30, 2017:*

* *Consider and recommend clarifying policy for how to determine code baseline as they address issues related to industry standard practice.*
* *Develop qualification standards and documentation requirements to identify a small-sized business customer.*
* *Develop qualification standards and documentation requirements to identify repair eligible and repair indefinitely measure types.*
* *Develop recommendations for what should constitute Tier 1 and Tier 2 Preponderance of Evidence requirements.*

*Commission staff will review the recommendations and update the guidance documents, as appropriate. The update will be vetted through a public process and the final document will be posted to a publicly available website.”*

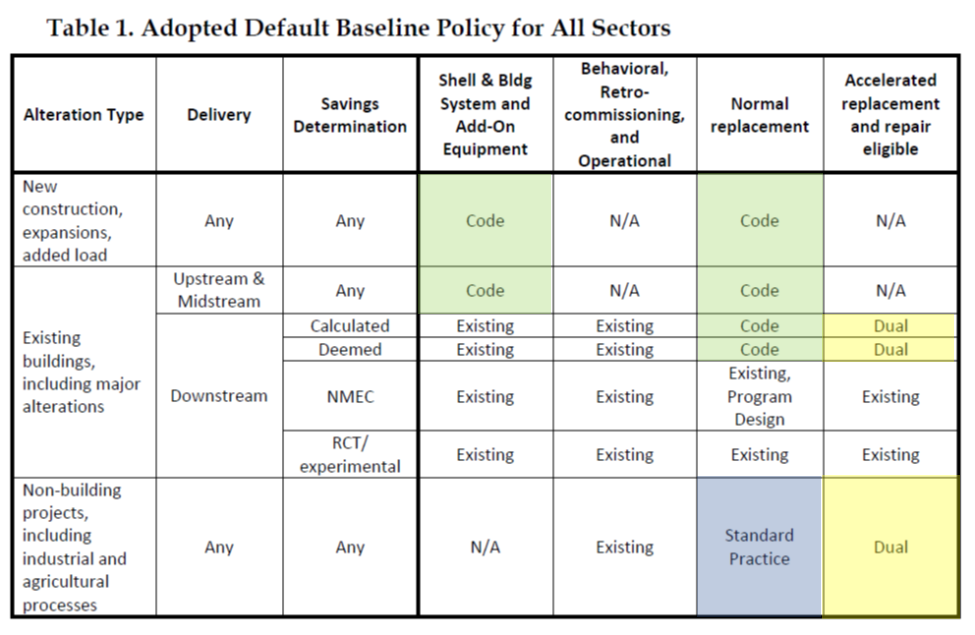
The T2WG convened in April 2017 to address the four issues deferred from the T1WG (for which the working group must provide recommendations by June 30, 2017) and the two issues originally planned for the T2WG (for which there is no stated deadline):

* Deferred T1WG issues due June 30, 2017:
  1. Clarify policies for code versus ISP baseline determination
  2. Tier 1 and 2 Preponderance of Evidence requirements
  3. Definitions and requirements for repair-eligible and repair-indefinitely measure types
  4. Definition and requirements for small-sized business
* Original T2WG issues:
  1. Improvements for industry standard practice (ISP) studies process and determination
  2. Improvements to streamline the custom review process

# Background

Table 1 shows the adopted default baseline policy for all sectors.

Table 1. Adopted Default Baseline Policy for All Sectors



The T2WG addresses areas highlighted in blue and yellow as follows:

* Task 1 addresses the definition of standard practice (blue highlight).
* Task 2 addresses the POE requirements for AR and RE programs/projects using dual baseline (yellow highlight).
* Task 3 addresses the definition of projects/measures that qualify for dual baseline under the “Repair-Eligible” (and Repair-Indefinitely) categories.
* Task 4 addresses the definition of small business for eligibility for a simplified POE protocol for the dual baseline (yellow highlight).

# Task 1 – Standard Practice Baseline

***Consider and recommend clarifying policy for how to determine code baseline as they address issues related to industry standard practice.***

## Background

The T1WG defined “Code Baseline” in Section 2 of the Baseline Guidance Document (Appendix A of the T1WG report) to describe the single baseline for normal replacement measures or the second baseline for dual baseline measures:

***T1WG Report, Appendix A at 3****: “A Code baseline is determined by an activity or installation that would take place absent the energy efficiency program – either as required by code, regulation, or law or expected to occur as a standard practice – that would provide a comparable level of service as the energy efficiency measure. An activity or installation used to establish a code baseline must:*

1. *Meet the minimum requirements of California Building Energy Efficiency Standards (Title 24 – Part 6) applicable to the baseline installation / activity*
2. *Adhere to applicable existing approved Industry Standard Practice guidance document made publicly available by the CPUC or Program Administrator (for customers or project types not subject to Title 24 – Part 6)*
3. *Comply with applicable federal, state, and local regulations or requirements that are relevant to the baseline activity / installation*
4. *Be a normal practice or otherwise viable option that meets the anticipated functional needs of the customer, building, or process.”*

The resolution agreed with multiple stakeholder comments that, although establishing clarity on the application of code baseline was not within the scope of the T1WG, the existing policy lacks a clear definition for code baseline. The resolution therefore directed the T2WG to “consider and recommend clarifying policy for how to determine code baseline as they address issues related to industry standard practice.” [E-4818 OP 25].

***E-4818 at 8****: “Code baseline has been the default baseline for California IOU energy efficiency programs for a long time. However, some working group members suggest that current implementation of code baseline might be more accurately termed as an Industry Standard Practice baseline to reflect the fact that in some cases, standard practice falls short of or, alternatively, exceeds existing codes. The working group’s proposed definition of code baseline applies Title 24 (part 6) building code, regardless of whether there is a standard practice that exceeded code.*

*“PG&E noted in their comments that code baseline currently lacks a clear definition. Parties have differing opinions about whether standard practice or code should apply where both are available, or whether code baseline should reflect the minimum efficiency of the baseline installation or the minimum efficiency of the selected technology, in cases where these are different. We acknowledge that code baselines in DEER often exceed Title 24 requirements, due to evaluation results that indicated standard practices were higher efficiency than code. The issues related to code and industry standard practice baseline will be addressed by the [T2WG].”*

*“Consistent with the perspective of PG&E and others, establishing this type of clarity on the application of code baseline was not within the assigned scope of the working group and we choose not to adopt this proposed definition at this time. However, we recommend that the [T2WG] consider the issue of code baseline determination as well.*

### E-4818 Direction

***E-4818 Finding #8****: Code baseline and industry standard practice baselines both reflect the efficiency of equipment that would have been adopted without the program activities and influence. We do not have a clear policy regarding how to apply these alternative normal replacement baselines in cases where both apply, or how to develop baseline when neither are applicable.*

***E-4818 OP #5:*** *We do not adopt the draft policy concerning the application of a code baseline that is presented in the measure-level baseline guidance document.*

***E-4818 OP #25****. “… We ask the [T2WG] … Consider and recommend clarifying policy for how to determine code baseline as they address issues related to industry standard practice.”*

## T2WG Discussion

Stakeholders discussed this task through an iterative process of discussing and revising the original text from the T1WG Report, Appendix A, Section 2. Through the process, the T2WG addressed multiple issues raised by Staff/Consultants and stakeholders.

### Ineligible Baselines

Staff/Consultants stated the following:

1. Projects proposing “like-for-like” replacement of existing equipment are not authorized.
2. Baseline cannot be regressive, have lower efficiency, than existing equipment; the consideration here is the existing equipment rated efficiency not a degraded performance.

All stakeholders agreed, and T2WG added a footnote indicating that “the baseline used for energy efficiency savings reporting and incentives shall not regress to a lower efficiency than the existing equipment”.

### Directed or Ongoing ISP

Staff/Consultants suggested the following direction in the case where there is ongoing or directed ISP related to the proposed project:

* “Determine if a low or high rigor Standard Practice study is required by guidance or is underway or has been directed by either the PA or CPUC staff. If such a requirement exists the study result determines the ISP for this project and all similar future projects 60 days after the date of the ISP or the direction to perform the study, whichever is sooner.”

T2WG added the phrase “but may also include CPUC-issued memoranda” to include the possibility of ongoing or directed ISP relevant to the project, and requested that any directed or ongoing ISP activity be in writing and publicly available so project developers have a repository to visit to know whether this situation applies.

### Baseline Requirements

Staff/Consultants stated that “Any proposed baseline must be commonly available in the marketplace and meet the anticipated technical, functional, and economic needs of the customer.:

T2WG also incorporated the phrase “anticipated functional, technical, and economic needs” into the definition of the Standard Practice Baseline to clarify that any Standard Practice Baseline must meet the anticipated functional, technical, and economic needs of the customer, building, or process.

### Viable Alternative Baselines

Staff/Consultants suggested the following direction to request that the baseline analysis include the actual available viable options:

* “Identify the commonly currently being installed viable options available to meet the anticipated technical, functional, and economic needs of the customer, building, or process while complying with all codes, standards, or other requirements or constraints of the customers’ project…”

The T2WG edited the text in Step 2 to state:

* “Identify the options presented by the project developer in accordance with the then current ISP guidance document, or otherwise considered by the customer that are feasible to implement, including any known options that are presently and commonly implemented. Options must meet the anticipated functional, technical, and economic needs of the customer, building, or process while complying with all codes, standards, or other requirements, …”

### Cost

Staff/Consultants stated that “Any proposed baseline is expected to be less costly that the proposed equipment where costs must include full implementation costs as well as maintenance and operating costs for those projects where such costs are a key decision factor,” and suggested the following direction:

* “Depending on the cost and type of the equipment alternative “maintain in operation” cost should be included. In residential projects this may either not be a consideration or the time may be very short, such as months or a year. In non-residential projects this many be an important consideration and may require one or several years of considered cost due to ongoing labor or maintenance costs. Also, in non-residential projects equipment that is a critical component of the customer’s operation where service interruption or down time is very costly, reliability of service and the cost of failure must be considered in the “maintain in operation” cost.”

T2WG added two statements to address costs:

* “Functional, technical, and economic needs are perceived and defined by the customer but should take into account the need for performance and reliability, as well as any relevant operational and maintenance costs.”
* “If Step 2 yields two or more viable options, the option that is the lowest first-year cost to implement establishes the standard practice baseline. Costs included in this process must be documentable.”

### Overlap with ISP Guidance

Stakeholders identified aspects of the ISP Guidance (to be worked on under Task 5) that affect the final definition of standard practice baseline for this task. Stakeholders are still discussing whether and how to address these items within Task 1.

## T2WG Recommendation

T2WG has updated the T1WG definition of Code Baseline, but is still addressing items raised by multiple stakeholders. Several stakeholders are actively working on updates – T2WG will schedule a phone call to review the updated document when available. See below for outstanding issues.

The latest document and stakeholder comments are available in the “Task 1 – Code Baseline” folder on <http://t2wg.cadmusweb.com/> . The final text will be moved into the body of the report, or into an Appendix.

The T2WG has revised the text from “Section 2.1 – Code Baseline” of the T1WG Report to clarify policy on determining code baseline.

During discussions on this item, the T2WG confirmed the following:

* The term “code baseline” is confusing as a term for the broader baseline category since building or appliance code is only one of multiple baseline options within this category. T2WG agreed to use the term “standard practice baseline” instead of “code baseline” to refer to the category of baseline that applies to normal replacement or the second baseline for an accelerated replacement project.
* T2WG confirmed that regressive baselines are not valid and added the statement: “The baseline used for energy efficiency savings reporting and incentives shall not regress to a lower efficiency than the existing equipment.”

Outstanding items for action or discussion:

* Need to address overlap with Task 5
* Too complex – Can we make it simpler?
* Minimize subjective language so process and expectations are clear
* Consider adding examples of projects in the definition
* Additional stakeholder feedback:
  + New ISPs should be applicable only to projects that are submitted 60 days or after the applicable publish date of ISPS (this can be discussed in Task 5)
  + Changed “anticipated functional, technical, and economical needs” to “anticipated functional and technical” (removed the word economical)
  + Inserted back the “Comparable level of service...” statement
  + Removed “CPUC issued memorandums”
* Need Staff’s comment on the updated document.

## Stakeholder Comments

TBD

# Task 2 – Tier 1 & 2 POE Requirements

***Develop recommendations for what should constitute Tier 1 and Tier 2 Preponderance of Evidence requirements.***

## Background

The resolution adopted the T1WG proposal for a tiered approach to POE (by which the level of rigor for POE review depends on the tier level) as well as the proposed definitions for low, medium, and “full rigor” tier levels.

***E-4818 at 41:*** *“The working group developed a ‘Tiered’ approach in its [POE] guidance, whereby projects with smaller incentives would be held to a lower rigor standard. The working group agreed there should be three rigor tiers:*

* *“Full Rigor” for the largest projects with incentives greater than $100,000,*
* *“Tier 1, Medium Rigor” for projects with incentives between $25,000 and $100,000, and*
* *“Tier 2, Lower Rigor” for projects with incentives less than $25,000.*

*The proposed incentive levels were based on a similar rigor distinction that applies to current measurement and verification standards.”*

***E-4818 at 41****: “We adopt this proposed tiered approach. We also adopt the proposed incentive size cutoffs for the tier categories.”*

However, the resolution did not adopt the proposed evidence and documentation requirements or methods of data collection for Tiers 1 and 2 due to the level of disagreement among stakeholders.

***E-4818 at 42****: “Despite agreement on using a tiered approach and in defining them with the incentives values in the bullets above, the working group was not able to agree on what would constitute sufficient documentation standards for the lower rigor tiers (i.e. Tier 1 and Tier 2). Parties could not agree as to whether the lowest rigor tier would involve an interview conducted by an independent third party, or program administrator, or implementer. There were also differing perspectives on whether the questionnaire should be program specific or general, whether the language in the questionnaire should indicate there would be consequences for misrepresenting facts, and even whether an interview should be conducted at all. Working group facilitators present their best approximation of a ”middle ground” solution, representing no one perspective nor a negotiated compromise. We do not adopt these policies because there were such large differences in the related opinions of different stakeholder groups on these issues, and we feel the policy requires further development before it can be adopted.*

Table 2 shows T1WG proposal for Simplified Tier 1 and Tier 2 eligibility and documentation requirements per Section 6 of Appendix A in T1 Working Group report.

Table 2. T1WG Proposal for Tier 1 and Tier 2 POE

|  |  |  |
| --- | --- | --- |
| **Tier** | **Eligibility** | **Documentation Requirements** |
| Tier 1  (25k- 100k) | 1) Custom measure savings would result in an uncapped incentive of $25,000 to $100,000.  2) Custom measure savings would result in an uncapped incentive of $25,000 to $100,000 and is “direct to default” per Section 4.  3) Deemed measures would result in an incentive of at least $25,000 and site specific assessment is used by the implementer instead of the program level assessment | 1) Photograph or short video showing the pre-existing equipment in place and operating in the condition described in the application, to establish pre-retrofit functionality.  2) Completion of a short interview that determines prior intent to continue operation in the pre-retrofit condition for at least one year conducted by an independent third party without financial interest in the outcome.  3) An affidavit. |
| Tier 2 (<25k) | 1) Custom measure savings would result in an incentive of less than $25,000  2) Deemed measures would result in an incentive of less than $25,000 and site-specific assessment is used by the implementer instead of the program-level assessment described in Section 7. | The same as for Tier 1 except that the photo/video evidence is optional and the questionnaire administrator is not required to be an independent third party. |

***E-4818 at 42****: “We do not adopt these policies because there were such large differences in the related opinions of different stakeholder groups on these issues, and we feel the policy requires further development before it can be adopted.”*

##### E-4818 Findings

***Finding 21.*** *It is reasonable to use a tiered approach to the preponderance of evidence, where three rigor levels (“Full Rigor”, “Tier 1, Medium Rigor” and “Tier 2, Lower Rigor”) are applied as a function of customer incentive size.*

***Finding 22****. The working group recommends the tiers correspond to the following incentive ranges specifically: “Full Rigor” for incentives over $100,000, “Tier 1 Medium Rigor” for incentives between $25,000 and $100,000, and “Tier 2 Lower Rigor” for incentives less than $25,000. These are generally consistent with project size guidelines that determine the level of rigor for required project measurement and verification.*

***Finding 23****. The criteria proposed in the working group guidance for determining whether the preponderance of evidence guidance (as a whole) is applicable or not are insufficient for the intended purpose.*

***Finding 24****. We do not adopt the specific [POE] requirements for Tier 1 and Tier 2, as outlined in Section 6 of the working group guidance. For this reason, we prohibit the use of a tiered approach to the preponderance of evidence requirements until specific requirements for the tiers are adopted.”*

***Finding 27****. Working group members did not agree to specific criteria defining the [POE] requirements for the lower rigor tiers (Tier 1 and Tier 2). Section 6 of the working group guidance document is a proposal authored by working group facilitators that reflects a middle ground and not a common ground and does not reflect a working group recommendation.*

### E-4814 Direction

***OP* *8****. For all downstream programs, we direct the Program Administrators to maintain site-specific records for program activities and installations resulting in energy savings. These records must include utility account number, installation site address, and evidence required by the applicable preponderance of evidence standard. In some cases, preponderance of evidence standards will consist of evidence of program eligibility.*

***OP 22.*** *We adopt a tiered approach to the preponderance of evidence, with three tier levels corresponding to the rigor of the assessment: Full Rigor for projects with incentives over $100,000; Tier 1 Medium Rigor for projects with incentives between $25,000 and $100,000, and Tier 2 Lower Rigor for projects with incentives less than $25,000.*

***OP 23****. For purposes of determining the appropriate tiered incentive treatment, CPUC staff have discretion to aggregate applications when they are from the same customer and appear to be the same project.*

***OP 24.*** *We do not adopt the specific preponderance of evidence requirements for Tier 1 and Tier 2, as outlined in Section 6 of the working group guidance. For this reason, we prohibit the use of a tiered approach to the preponderance of evidence requirements until specific requirements for the tiers are adopted.*

***OP 25.*** *… We defer several issues to be addressed within the planned activities of upcoming [T2WG] … We ask the [T2WG] … Develop recommendations for what should constitute Tier 1 and Tier 2 Preponderance of Evidence requirements.”*

## T2WG Discussion

Staff clarified its expectation that POE include three categories of evidence or documentation requirements, for which the level of rigor for each component should scale with the tier level:

1. Evidence of equipment operation
2. Survey, questionnaire, or interview to establish influence
3. “Affidavit” to ensure the project documentation is accurate

Through discussions on these components of POE, the T2WG identified five distinct topics to address – see Table 2. We have some specific proposals but are far from consensus on several items. Need to collect any additional proposals as well as stakeholder positions on existing proposals.

Table 3. Summary of Task 2 Issues

|  |  |  |
| --- | --- | --- |
| **Issue** | **Summary** | **Status** |
| **2-1 Tier Levels** | Although E-4818 approved the Tier levels, the working group discussed whether the $25k incentive level was an appropriate cut-off between the low and medium tiers. The group discussed whether there should be a lower threshold for very small projects, acknowledging that there should be different requirements for a $5k and $20k project, for example. | **No proposals yet.**  Discuss/collect proposals for lower Tier level; this discussion may affect or be influenced by documentation requirements – or stakeholders can chose to retain existing Tier levels. |
| **2-2 Equipment Condition** | The working group discussed types of evidence that demonstrates equipment operation. | **One proposal; tasks is incomplete.**  Need examples of evidence beyond what was recommended in Tier 2 |
| **2-3 Survey/ Questionnaire/ Interview Content** | There were differing perspectives on whether the questionnaire should be general or program-specific and whether an interview should be conducted at all. | **Two sample questionnaires**; clarify requirements and next steps for this topic. |
| **2-4 Survey/ Questionnaire/ Interview Administration** | Parties could not agree as to whether the lowest rigor tier would involve an interview conducted by an independent third party, or program administrator, or implementer. | **Two proposals** – need to collect comments and/or alternatives. |
| **2-5 Affidavit** | whether the language in the questionnaire should indicate there would be consequences for misrepresenting facts, | Stakeholders agreed to soften language on the affidavit.  See proposed language – revise if necessary and provide context on how the statement will be used. |

### Task 2-1: Tiers

Staff proposed a “Tier 0” or change to existing thresholds to distinguish rigor requirements within the lowest Tier, acknowledging that POE requirements should differ between $5k and $25k projects. Although E-4818 accepted the Tier levels defined in T1WG, T2WG stakeholders agreed a well-reasoned proposal to modify the Tier levels is appropriate for the T2WG report.

##### Proposal 2-1A

Stakeholders should determine whether to propose a smaller tier for smaller projects. If so, need to examine data to determine what should constitute “Tier 0” projects or other Tier boundaries. This discussion or proposal may also be driven by the discussion of what evidence is appropriate or reasonable for difference sized projects.

### Task 2-2: Equipment Operation

T2WG has not had much discussion on this topic – Need clear guidelines and examples of appropriate evidence of operation; may be different for different measures. We are missing specific direction on the type of documentation that meets this requirement. Stakeholders should consider compiling a list of types of documentation that would be reasonable for projects in general or specific to measures for each tier level; then Staff/Consultants can comment.

The first requirement from staff is that the POE include evidence of equipment operation and ability to remain in service meeting customer requirements for its RUL. Staff suggested the following examples of evidence:

* Photos/Videos
* Current and past maintenance and repairs history/records and costs
* Operating data
* Reliability history and issues
* Information on current plans or budgeting for expansions, remodels, replacements

Stakeholder comments

##### Proposal 2-2A

For projects with incentive <$25k (Tier 2), the evidence requirement for equipment condition may be met through the questionnaire (to be designed) with an associated picture.

Peter/CPUC agreed to this for Tier 2 projects, but did not commit for larger projects.

### Task 2-3: Survey/Questionnaire/Interview Content

Staff/Consultants stated its expectation that the survey, questionnaire, or interview collect information on the customer’s decision-making process and demonstrate how the program influenced the customer to participate in the energy-efficiency program. Staff/Consultants provided the following examples of documentation:

* Documentation establishing customer choice of a lower efficiency lower cost alternative prior to program intervention; and/or
* Survey, questionnaire, or interview to reveal the customer decision process and how the activities program influenced a change in choice either by information on alternate choices or financial support (or both)
  + Done by (or in lower incentive projects, confirmed by) non-financially interested (independent) party)

Staff provided an example questionnaire for HVAC projects, but indicated that the types of questions depend on variables including the measure, market, and project size.

##### Proposal 2-3A

Staff provided a sample questionnaire for HVAC measures. See Appendix B. Example POE Questionnaire.

##### Proposal 2-3B

See Appendix B. Example POE Questionnaire for a proposed questionnaire addressing program influence.

T2WG has not had much discussion on this topic. Need to:

* determine whether should the T2WG be providing sample questions, a template for questionnaires, or produce a recommendation to develop measure/market/program-specific surveys?
* collect input from staff on types of questions that should be included in the questionnaire;
* determine whether stakeholders should review and comment on this questionnaires

### Task 2-4: Survey/Questionnaire/Interview Administration

In the T1WG, stakeholders differed in their opinions on how and by whom the survey should be administered:

* Staff stated its preference that any survey, questionnaire, or interview be conducted by a “disinterested or independent” party.
* Stakeholders acknowledge Staff’s concern with a survey administered by an interested party (e.g., the project developer), but questioned the value that 3rd party administration of questionnaire adds to the process
* Sasha/ORA indicated a preference for 3rd-party administration, but also acknowledged the pragmatics of not doing this for lower tiers; he indicated a preference for independent survey for higher Tiers, but was willing to consider not requiring an independent auditor for the lower tiers.
* Mark/SCG suggested that, if we are accepting self-certification for the affidavit (Task 2-5) and small business qualification (Task 4), then it would be consistent to also self-certify on the POE.

One stakeholder asked whether the questionnaire was necessary as a separate activity if all relevant data are collected in the program audit (or other existing program process. Peter/CPUC responded that, for some size of projects, these data should be collected at the project level, but could be collected by the implementer. For even smaller projects, the questions should be part of program design.

##### Proposal 2-4A

The T2WG proposes different administration of the survey for different sized projects, using the tier levels established for POE.

Table 4. Proposal 2-4A – POE Survey Administration

|  |  |
| --- | --- |
| **Tier** | **Survey Administration** |
| **Low** | Customer |
| **Med** | IOU (e.g., account rep) |
| **High/Full** | Independent 3rd Party (already defined as full rigor) |

Need comments from stakeholders – clarifications and positions on this recommendation.

##### Proposal 2-4B

Alternatively, a stakeholder proposed an independent “ex post audit”, that would remove the program influence questionnaire from the standard process altogether, replacing it with an independent audit administered by an independent authority for a random sample of customers.

Need comments from stakeholders.

### Task 2-5: Customer Affidavit

### Staff/Consultants recommended that the customer affidavit:

### Inform the customer that the treatment they are applying for involves requirements that exceed those of “standard” offerings and requires addition information to confirm eligibility, but that they may eligible for the “standard” offerings independent of their eligibility for this offering;

### Include legal language confirming the accuracy of the information they supply that is used to make the determination of eligibility for AR treatment; and

1. Provide for “consequences” of contrary findings, such as eligibility for AR treatment on the subject project impacted.

Stakeholder discussion (add notes from early meetings)

The T2WG agreed that customers should be able to certify the accuracy if information they provided for a project application without the threat of criminal action or any references to “penalty of perjury.”

The T2WG proposed the following statement, to be signed by both the customer and the project developer, to be appended onto relevant project forms.

Need stakeholders to edits/comment on these proposals (we should be able to narrow to a single proposal, correct?) – and provide context on where/how this language would be used.

##### Proposal 2-5A

|  |
| --- |
| **Example 1: Example of “Affidavit” Language** |
| By signing below, I certify that the above is true and correct to the best of my knowledge. I acknowledge that misrepresentation will result in a rejection of the project as an Accelerated Replacement.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_  Customer Signature Customer Printed Name Date |

##### Proposal 2-5B

|  |
| --- |
| **Example 2: Example of “Affidavit” Language** |
| Participant certifies that the above measures have been completed by Participant's contractor to Participant's satisfaction and that the attached invoices are true and correct copies of that contractor's charges to Participant for the Measures. Participant agrees that Southern California Edison may perform an inspection of the installed measures prior to payment of the incentives if Southern California Edison in its sole discretion, so desires.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_  Customer Signature Customer Printed Name Date |

## T2WG Recommendation

TBD – summarize status of proposals

## Stakeholder Comments

TBD

# Task 3 – Repair-Eligible and Repair-Indefinitely Measure Types

***Develop qualification standards and documentation requirements to identify repair eligible and repair indefinitely measure types.***

## Background

The T1WG proposed three sub-categories of Accelerated Replacement, including two categories for which the existing equipment is not fully operational or has exceeded its EUL.

***T1WG Report, Appendix A at 13:*** *The Accelerated Replacement includes three sub-types, all of which are subject to proof of both program influence and the long-term viability of the existing equipment as demonstrated by the preponderance of evidence. The evidence supporting the long-term viability must meet one of three criteria (depending on the existing equipment status) as follows:*

* ***Repair-eligible*** *– The existing equipment needs a major repair to return the equipment to fully serving the load and that repair cost is less than 50% of the full measure cost (FMC).*
* ***Repair-indefinitely*** *– The existing equipment exceeds its EUL and has a history of repair and maintenance and could continue to be maintained to serve the load for the RUL of the existing equipment.*
* ***Early-retirement*** *– The existing equipment is fully operational and meets new and existing load service requirements and could continue to do so for the RUL of the existing equipment.*

*Existing conditions and code define the first and second baselines, respectively, for all three sub-types, where the repaired state is considered existing conditions for the repaired measure.*

The resolution adopted the three categories, but did not accept the definition of repair-eligible and did not adopt the use of repair cost in determining equipment eligibility-based definitions.

***E-4818 at 29:*** *“We adopt the recommendation that accelerated replacement include three sub-categories [repair eligible, repair indefinitely, and early retirement], and that each be treated equivalently with respect to the dual baseline approach. However, we do not adopt the definition of repair-eligible that is proposed in the draft guidance document, due to apparent risk and complexity…”*

***E-4818 at 32****: “…determining the longevity and costs of hypothetical repairs, and applying baselines that assume a future repair rather than replacement add to the complexity of baseline policy. Furthermore… the number of scenarios to consider expands quickly creating additional complexity and potential for confusion and misinterpretation. For these reasons, we do not adopt the use of repair cost in determining equipment eligibility-based definitions. Instead we ask the [T2WG] to address qualification standards and evidence to determine repair eligible / repair indefinitely equipment.”*

***E-4818 at 31*** *– The resolution offered the following “Simplifying Principles”:*

* *For deemed and calculated savings determinations, existing conditions baselines must reflect rated equipment efficiency, or apply an adjustment factor to reflect the portion of savings that are retrocommissioning or operational in nature.*
* *Replacement of equipment that is broken, poorly performing or not able to meet its load requirement must apply a normal replacement baseline. This includes replacement of broken add-on equipment.*
* *All accelerated replacement types (repair eligible, repair indefinitely, early retirement) receive the same dual baseline treatment, consistent with the current definition of dual baseline in the Energy Efficiency Policy Manual. However, equipment older than its EUL may qualify for accelerated replacement baseline treatment if it is determined to be repair eligible or repair indefinitely.*

### E-4818 Direction

**Finding #5**. The broad application of existing conditions baseline demands clear distinctions between repairs that are eligible for ratepayer funded energy efficiency programs and those that are not.

**Finding #15**. It is reasonable to define the accelerated replacement installation type as three sub-categories: early replacement, repair eligible, and repair indefinitely.

**Finding #17**. Equipment that is older than its effective useful life may qualify for an accelerated replacement baseline treatment where it is determined the equipment is either repair eligible or repair indefinitely.

**Finding #18**. We do not have a process or evidence requirements for how equipment could be qualified as repair indefinitely. The working group also did not assign any measures to this category.

**OP 14**. We adopt the working group proposal that accelerated replacement is comprised of three sub-categories: early replacement, repair eligible, and repair indefinitely, which shall use equivalent dual baseline savings and cost effectiveness calculations for deemed and calculated downstream programs.

**OP 16**. We permit the Program Administrators to apply an accelerated replacement baseline treatment to equipment that qualifies as repair eligible or repair indefinitely where the equipment is older than its predetermined effective useful life.

**OP 25**. “… We ask the Track 2 working group … develop qualification standards and documentation requirements to identify repair eligible and repair indefinitely measure types.

## T2WG Discussion

Staff proposed to describe this category as “a class of equipment where the age of the equipment relative to its EUL has reduced (less or little) weight in the consideration of evidence for treatment as accelerated replacement. This is not to imply that the age of the equipment has no weight, but rather that if the age exceeds the EUL that alone cannot automatically disqualify the project for consideration using an AR treatment.”

### Broken Equipment

Staff clarified its understanding that broken or non-operational equipment is not eligible for an accelerated replacement baseline.

Stakeholder comment

### Implementation Issues

Staff/Consultants recommended the T2WG combine the repair-eligible and repair-indefinitely into a single wider-defined category in terms of treatment in submissions of proposals for treatment of projects/measures.

##### Proposal 3A

Eliminate repair-eligible as a category and combined all eligible projects into a single “repair-indefinitely” category for accelerated replacement.

Stakeholder comment

### Qualification Process

Staff/Consultants stated their preference to have an approach that allows “pre-qualification” of equipment types as eligible while allowing simplified site specific criteria. They proposed that CPUC will develop a submission/review/approval process for the PAs to submit equipment types that are proposed for this treatment. The submittal would include the equipment types (reference to specific measures, workpapers, etc.), the programs authorized to use the treatment, the evidence supporting the treatment and the criteria that will be used at the site/project/measure level to qualify specific equipment.

Stakeholder comments

Stakeholders agreed to a process to define a class of equipment as repair-indefinitely, but requested also to have a set of criteria to determine whether equipment found in the field may qualify.

##### Proposal 3B

Measures/projects may qualify as repair-indefinitely through one of the following methods:

* Pre-qualification for classes of equipment proven to meet Task 3 criteria defined by T2WG
* Case-by-case qualification for measures/projects that meet with Task 3 criteria defined by T2WG

Stakeholder comments

### Documentation Requirements

Staff/Consultants provided the following guidance on relevant project-level parameters for qualification of a measure or project as repair-indefinitely:

* Recent history of repairs/costs and anticipated repairs
  + Reliability may have cost implications past equipment maintenance
* Replacement cost versus repair cost
  + There may be lead-time and/or down-time considerations that can be different and important in the comparison
* Impact of repair versus replacement on maintenance costs
* Energy savings
* Effective useful life of existing and replacement equipment
  + policy limit of 20 years may have caused reduction for of life for major capital projects – i.e., industrial processes
* Remaining useful life of existing (with and without repair) equipment

Staff/Consultants clarified that, as with other AR projects, the level of rigor should depend on the incentive (or tier) level. They indicated that program submission requirement may always be high while project level criteria may vary greatly by incentive dollar amount:

* **Program submissions** must fully describe project eligibility criteria with examples, process to be followed to establish eligibility, and documentation archiving requirements
* **Project criteria** should always include a consideration of the documentation fields listed above, but, as with PoE tiers, rigor levels for Task 3 criteria should vary by incentive level and, in some cases, be very limited.

##### Proposal 3C

If the equipment meets the Repair-Indefinitely criteria, then the equipment viability component of POE is satisfied. Repair-indefinitely must still satisfy the program influence component of POE (defined in Task 2).

Stakeholder comments

##### Proposal 3D

See Appendix XX for existing DRAFT proposals. These proposals need some work based on comparison to the guidelines provided by Staff.

## T2WG Recommendation

TBD

## Stakeholder Comments

TBD

# Task 4 – Small Business Definition

***Develop qualification standards and documentation requirements to identify a small-sized business customer.***

The aim of the Task 2 Working group is to finalize a state-wide definition of small business which will be utilized to set a threshold for energy efficiency programs being treated through the “direct to decision” guidelines. This definition can be utilized by any offering which currently works with small customers as well as for any new approved offerings targeting this market for any sector (commercial, industrial etc.).

## Background

In its proposed POE Guidance Document (Appendix B of the T1WG Report), the T1WG proposed “a simplified POE protocol to demonstrate accelerated replacement of small and medium size projects.” (T1WG, page 6). The T1WG Report identified the following circumstance as an example of a “Direct-to-decision” for which “the combination of site-specific or program-level evidence provided is sufficiently compelling such that further preponderance of evidence assessment is not necessary:”

*“Custom measures installed through residential and small commercial direct install programs [where CPUC Staff must pre-approve the direct install program as being appropriate for such classification.]*

### E-4818 Discussion

E-4818 accepted the proposal for a simplified POE pathway for small businesses and directed the T2WG to “recommend a statewide definition of a small sized business and associated evidentiary requirements to verify this classification.” [E-4818 at 47]

***E4818 at 45****: “Item number 1 above is relatively reasonable, as it incorporates a Commission review of program design and program rules to confirm there is a reasonable expectation of accelerated replacement, and that the program is oriented to specific underserved markets. However, the guidance does not specify requirements for verifying equipment operability or customer eligibility, both of which are necessary and prudent…. We adopt the proposals … only with the following conditions and modifications:*

*“Any approach that streamlines or automates the determination of accelerated replacement baseline must comply with the following guidelines:*

* *Program designs, program rules and customer eligibility criteria are submitted to the Commission for approval, with a strong argument or data supported case that is highly indicative of inducing accelerated replacement.*
* *The program rules must specify the customer eligibility criteria and the evidence of customer and measure eligibility that will be collected for each program installation.*
* *The specified evidence must be collected for each installation as part of the program implementation, and this evidence must be made available to the Commission upon request and submitted as supporting documentation with related energy savings claims.*

*“Through this process, a program-level case can be made that program design and rules indicate a high probability of accelerated replacement, subject to approval by Commission staff. For these program designs, the project-level preponderance of evidence requirement can be limited to include evidence of customer eligibility for program participation and evidence of equipment viability. Equipment viability standards must be fulfilled on a project-specific basis, in accordance with the appropriate tier standard.”*

**E4818 at 47**: “We are aware that there is not agreement across Program Administrators in how to identify and verify a small business customer. This standard would be needed to qualify programs for a direct-to-decision treatment where customer eligibility includes a small business designation. For this reason, we direct the [T2WG] to recommend a statewide definition of a small sized business and associated evidentiary requirements to verify this classification.”

### E-4818 Direction

**E-4818 Finding #26**: “There is not a consensus across stakeholders in how to identify and verify a small business customer in a manner that can be cost-effectively replicated over many participating customers. Such a standard is needed to design and implement any ‘direct-to-decision’ treatment (per as outlined in this resolution, where the customer eligibility includes a small business designation.”

**E-4818 OP #25**: “... We ask the Track 2 working group to … Develop qualification standards and documentation requirements to identify a small-sized business customer.”

## T2WG Discussion

T2WG has not reached consensus on this item. Staff/Consultants proposed using the existing tariff definition for small businesses, but several stakeholders prefer a broader definition that would make more customers eligible for the simplified POE pathway. Staff/Consultants requested stakeholders provided evidence to support the proposal for these higher energy thresholds.

### Purpose of the Small Business Pathway

Stakeholders generally agreed that the purpose of this task was to identify criteria through which a small business customers, who do not have the technical or financial means or for which projects aren’t large enough to support rigorous data collection and review, may be eligible to a simplified pathway to participation in the custom programs. However, there were some differences of opinion regarding which customers were the target for this simplified pathways:

* Kay/CPUC noted that we are trying to create a simple process to support a category of hard-to-reach small customers who have not been served because they (customers/businesses/projects) are too small and thought that the intent was not to expand to all small business customers.
* Josiah/Ecology Action agreed that the goal is to provide a path for small businesses to participate in custom projects, adding that most of these businesses are single entities and have various barriers to participation (e.g., language).
* Several staff/consultants suggested that the T2WG adopt the existing, established definition for small business customers, but Alice/SCG suggested that T2WG direction to develop a definition of small business implied that the T2WG was given the opportunity to create a new definition that supported the policy intent.

### Small Customers vs. Small Projects

Stakeholders differed in their opinions on whether the small business pathway was intended to apply to small customers, small projects, or both.

* Staff/Consultants clarified that the small business pathway was meant to for small customers and not small projects, indicating that the intent was to allow a pathway for small customers to participate in the programs.
* Staff expressed concern that project developers could break large projects for large customers into multiple small projects and wanted to protect against that.
* Stakeholders acknowledged that small projects still had an opportunity for simplified POE pathways through other D2D program designs or through the “Low Rigor” POE pathway.

In the end, most stakeholders agreed that the definition should focus on identifying and qualifying eligible customers rather than projects.

### Evidence/Data Requirements

Stakeholders urged for the use of readily-available data (e.g., utility metered energy consumption) to determine eligibility for small customers, noting that additional data collection is an additional cost to both the customer and project developers.

Stakeholders encouraged the use of:

* Energy consumption, because IOUs have consistent access to these data
* Specific market segments, such as non-profits or municipal customers (e.g., a high school), that would benefit from an expedited review
* Comparing project size relative to business size;

Stakeholders discouraged the use of:

* Customer income or revenue, because project developers do not have access to these data, and a requirement to share revenue may deter customers from participating in an energy-efficiency project or programs.

### Customer Size / Annual Consumption

Stakeholders discussed and disagreed on appropriate thresholds around energy consumption to define small businesses.

* One stakeholder indicated that there are no [custom] projects for customers with an average demand of 20 kW because any project would not be cost-effective given project development and review requirements. (possibly because not cost-effective with review requirements)
* Implementers serving the small business market suggested using thresholds (typically between 100 and 300 kW average demand) used by program administrators in other states.
* Shawn/SCG suggested a threshold of 50,000 annual therms to distinguish small customers, indicating that the 98% of customers that us less than 50,000 therms annually account for only 2% of the company’s energy sales.
* Peter/CPUC expressed that Staff preferred to based policy on a definition that the CPUC and IOUs had already adopted (see proposal 4c below).
* Stakeholders expressed interest in aligning the threshold numbers (in small business definition) with data – we need to collect & include those data in this report.

### Stakeholder Proposals

Through multiple discussions, T2WG presented four proposals for eligibility criteria through which a customer may quality for a simplified POE pathway.

##### Proposal 4A

A customer qualifies as a small business customer if the customer meets the eligibility requirements (summarized below in Table 5) to become a certified California Small Business.

Table 5. Task 4 – Proposal 4A[[1]](#footnote-2)

|  |
| --- |
| **California Small Business Certification Eligibility Requirements** |
| In order for a small business to be eligible for certification, the small business must meet the following requirements:   * Be independently owned and operated; * Not dominant in field of operation; * Principal office located in California; * Owners (officers, if a corporation) domiciled in California; and, * Including affiliates, be either, * A business with 100 or fewer employees; an average annual gross receipts of $15 million or less, over the last three tax years; * A manufacturer\* with 100 or fewer employees; or, * A microbusiness. A small business will automatically be designated as a microbusiness, if gross annual receipts are less than $3,500,000; or the small business is a manufacturer with 25 or fewer employees.   \* For Small Business Certification purposes, a manufacturer is a business that is both of the following:  1. Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.  2. Classified between Codes 31 to 339999, inclusive, of the North American Industrial Classification System (NAICS) Manual, published by the United States Census Bureau, 2007 edition. |

Stakeholders dismissed this proposal as too onerous for many small businesses, indicating that the documentation requirements for this level of certification were inconsistent with the goals of a simplified participation process for small customers.

##### Proposal 4B

A customer qualifies as a small business customer if it satisfies any one of the criteria outlined in Table 4.

Table 6. Task 4 – Proposal 4B

|  |  |  |
| --- | --- | --- |
| **Criteria** | **Commercial Customers** | **Industrial Customers** |
| Low Energy User | < 250 kW of average demand  < 1.5 million kWh/year  < 50,000 therms/year | < 400 kW of average demand  < 2.5 million kWh/year  < 100,000 therms/year |
| Facility Size | < 50,000 sq.ft. | n/a |
| Number of Employees | n/a | < 10 |
| Registered or certified small business in California[[2]](#footnote-3) | Yes | Yes |

A stakeholder developed this proposal based on experience on the type of customers and projects served in the programs and feedback from stakeholders during the T2WG meetings. The proposal provides a different set of qualifying criteria for Commercial and Industrial customers and offers multiple qualification pathways. For example, a customer may qualify by meeting the “Low Energy User” criteria or the “Facility Size” criteria but is not required to meet both.

Staff opposed the energy thresholds in this definition, which are higher than the thresholds used for the small business tariff, and requested stakeholders provided evidence to support the proposal for these higher energy thresholds.

##### Proposal 4C

A customer qualifies as a small business customer if it meets the definition of small business adopted by the CPUC for use in IOU tariffs (summarized in Table 6).[[3]](#footnote-4)

Table 7. Task 4 – Proposal 4C

|  |
| --- |
| **Small Business Eligibility Requirements** |
| A small business customer is defined as a non-residential customer with an annual electric usage of 40,000 kilowatt hours (kWh) or less, or an energy demand of 20 kilowatt (kW) or less, or annual consumption of 10,000 therms of gas or less. Alternatively, a small business customer is a customer who meets the definition of “micro-business” in California Government Code Section 14837 (Section 14837). Section 14837 defines a micro-business as a business, together with affiliates, that has average annual gross receipts of $3,500,000 or less over the previous three years, or is a manufacturer, as defined in Section 14837 subdivision (c), with 25 or fewer employees. The California Department of General Services is authorized to amend the gross receipt amount. In January 2010 DGS increased the gross receipt amount from $2,750,000 to the current amount of $3,500,000. (see, California Office of Administrative Law, Regulatory Action Number 2000-1110-01S.) This definition does not include fixed usage or unmetered rate schedule customers.  OP 3: “… non-residential customers may self-certify as a micro-business under Government Code Section 14837.” |

Staff, who proposed this recommendation, clarified that:

* The definition allows for multiple eligibility pathways. For example, a business with 25 or fewer employees qualifies even if it exceeds the energy thresholds.
* Customers may self-certify by signing a “self-certification” form (e.g., the SCE form 904) stating that it meets the stated requirements.

Staff/Consultants support this definition for the following reasons:

* The definition is based on data specific to the California market.
* The definition has already been litigated and adopted by the CPUC.
* The definition is already in use by all four IOUs.

Several stakeholders indicated they appreciated the idea of using existing rules that have already been agreed on, but expressed concern that the qualifying criteria are too low to support the intent of Task 4 to create a reasonable pathway for projects.

A stakeholder noted that the resolution language states “small business” in some places and “small-sized businesses” in others, suggesting that we should not be locked into existing definitions of small business. Another stakeholder added that the resolution direction to “Develop qualification standards and documentation requirements to identify a small-sized business customer” provided an invitation to develop a new definition designed to meet the intent of the simplified POE pathway for small businesses.

##### Proposal 4D

A customer qualifies as a small business customer if it meets the criteria described in Table 7.

Table 8. Task 4 – Proposal 4d

|  |
| --- |
| **Small Business Eligibility Requirements** |
| * Fit the “small business” definition in the California Government Code Section 14837 * Have < 100 kW of average demand, or usage of <500,000 kWh/year (electric customers) * Have gas consumption < 25,000 therms/year (gas customers) |

A stakeholder proposed this proposal that “blends prior recommendations into a middle path, is in line with national and state definitions of small business, and sets thresholds based on incentives limits as a way to gauge portfolio risk.”

The stakeholder provided the following arguments to support this recommendation:

* Definition of “small business” in other jurisdictions:
  + Federal definition of “small business” is based on revenue and/or number of employees. Varies by sector, but is approximately equivalent to CA Government Code definition of “small business”
  + States that set “small business” definition at or above 100kW or 500,000 kWh: OR, MA, CT, WA, WI, MI (480,000 kWh)
  + States that set “small business” definition below 100kW or 500,000 kWh: NONE
  + From ACEEE review paper of small business EE across USA: “Definition of Small Business” – The eligibility criteria applied by utilities to define eligible small businesses varies across program sponsors. In three quarters of instances (76%, N=25), the criteria is found to be defined in terms of peak demand. A 100 kW threshold is the most commonly applied limit (32%) for qualifying commercial customers, followed by 200 kW (24%). A facility square footage limit (e.g., <25k or 50k sq. ft.) is used in just over 10% of programs, while other criteria including total employees and annual spending make up the remainder (12%).
* Portfolio Risk: The math of “small business” definition in California:
  + The energy threshold in **Proposal 4c** ( < 20 kW and < 40,000 annual kWh) is too low in practical terms. The 40,000 kWh annual consumption threshold in Proposal 4C limits projects to an incentive of about $256, whereas the $500,0000 kWh consumption thresholds in **Proposal 4d** would enable projects with incentives around $3,200.
    - 40,000 kWh \* Average 8% electric savings from retrofit \* $0.08 (incentive amount) = $256 maximum possible incentive.
    - 500,000 kWh \* Average 8% electric savings from retrofit \* $0.08 (incentive) = $3,200 maximum possible incentive.
  + Ask SCG for similar analysis on the gas side – Mark suggested 50,000 therms as threshold for small business
* Absence of other evidence
  + No evidence has been presented to justify adopting a definition of “small business” that diverges from the above widely accepted definitions.
  + We should not use the CA Government Code definition of “micro business” as the definition “small business” without compelling justification.

Staff/Consultants expressed concerns that the expanded energy thresholds opens the simplified POE pathway intended for underserved small business to too many customers. Staff/consultants maintained that the energy consumption thresholds should limited to the criteria defined in Proposal 4c. Staff/Consultants requested stakeholders provided evidence to support the proposal for these higher energy thresholds.

## T2WG Recommendation

We do not have consensus on this item. Need to hear comments and positions from Stakeholders on each definition.

Table 7 summarizes the status of proposals for Task 4.

Table 9. Summary of Task 4 Proposals and Status

|  |  |
| --- | --- |
| **Proposals** | **Stakeholder Preferences** |
| 4A – California Small Business Certification | None – certification requirements are too onerous for small customers |
| 4B – T2WG Commercial/Industrial Definition | TBD |
| 4C – California Small Business Tariff Definition | CPUC Staff/Consultants  PG&E (tentative)  SCE (tentative)  TBD |
| 4D – T2WG Hybrid Definition | TBD |

## Stakeholder Comments

TBD

# Other T2WG Comments and Recommendations

Placeholder for additional Stakeholder comments and recommendations that are not part of Tasks 1-4

* Stakeholders are concerned that the policy has become too complex.
* Stakeholders are concerned that the policy remains too vague in some cases.

# Appendix A. T2WG Methods/Meetings/Participation

TBD – Will include this detail in the next iteration.

# Appendix B. Example POE Questionnaires

This appendix includes a questionnaires for POE. T2WG stakeholders should provide feedback on the questionnaire for use in the POE tool.

## Example 1

This example questionnaire is from the 2010 – 2012 Nonresidential Downstream Lighting Impact Evaluation Report, Appendix G:

1. “Approximately how old was the equipment that were removed and replaced with &Prgm\_LT1\_Desc?”
   1. Less than 5 years old
   2. Between 5 and 10 years old
   3. Between 10 and 15 years old
   4. More than 15 years old
2. “How would you describe the condition of the lighting equipment that was removed and replaced as a result of the installation of &Prgm\_LT1\_Desc? Would you say it was…”
   1. In poor condition
   2. Fair condition, or
   3. Good condition
3. “Approximately what percentage of the lighting equipment that was removed and replaced was broken or not working prior to installing &Prgm\_LT1\_Desc?”
4. “How many more years do you think your lighting system would have gone before failing and required replacement?”
5. “If the program had not been available, what is the likelihood that you would have done this project at the same time as you did?”
6. “If the program had not been available, how likely is it that you would have replaced your existing equipment within one year of when you did?”
   1. Definitely would have
   2. Probably would have
   3. 50-50 chance
   4. Probably not
   5. Definitely not
7. “There are usually a number of reasons why an organization like yours decides to participate in energy efficient programs like this one by installing energy efficient lights. In your own words, can you tell me why you decided to participate in this program?”
   1. To replace old or outdated lighting equipment
   2. As part of a planned remodeling, build-out, or expansion
   3. Had process problems and were seeking a solution
   4. To improve lighting equipment performance
   5. To comply with codes set by regulatory agencies
   6. To comply with company policies regarding regular lighting retrofits or remodeling
8. Now using this scale please rate the importance of each of the following in your decision to implement the MEASURE at this time.
   1. N3a. The age or condition of the old equipment (Corresponds to A3 = 1)
   2. N3j. Standard practice in your business/industry (Corresponds to A3 =10)
   3. N3m. Corporate policy or guidelines (Corresponds to A3 =10)
   4. N3o. To improve your overall quality of lighting (Corresponds to A3 = 5 or 6)
   5. N3p. Compliance with state or federal regulations or standards such as Title 24 (Corresponds to A3 = 8)
   6. N3r. Compliance with your organization's normal remodeling or lighting replacement practices (Corresponds to A3 = 2 or 10)

## Example 2

The format is consistent with the SCE HVAC Questionnaire that is part of the meeting resource materials.

The final score must be positive, using the following scoring guide:

* **Bold blue = 2**
* No bold blue = 1
* Black = 0
* Non-bold red = -1
* **Bold red = -2**

**POE Questionnaire**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| # | Preponderance of Evidence Questions and Answers | | | | | Score |
| 1 | In the last 12 months, the **equipment** in this project has had major repairs performed not related to a full system overhaul.  In the last 12 months, has this equipment had major repairs besides a full system overhaul? ( **This is not a scale but a yes/no question as you can’t “neither agree or disagree” that it has had major repairs unless you don’t know (which should be a response category) – three choices: yes/no/don’t know** | | | | |  |
| **Strongly Agree** | Agree | Neither Agree or Disagree | Disagree | **Strongly Disagree** |
| 2 | The required maintenance on the **equipment** in this project is excessive and/or has increased over the past three years.  How significant are the required maintenance costs for the equipment in this project right now or in the recent few years? | | | | |  |
| **Very Significant** | Significant | Neither Significant nor Insignificant | Insignificant | **Very Insignificant** |
| 3 | The equipment has met our service needs (performance, capacity, reliability) during the last 12 months. | | | | |  |
| **Strongly Agree** | Agree | Neither Agree or Disagree | Disagree | **Strongly Disagree** |
| 4 | How likely is it that the equipment being replaced would continue to operate for at least three years? | | | | |  |
| **Very Likely** | Likely | Neither likely nor Unlikely | Unlikely | **Very Unlikely** |
| 5 | The financial incentives, technical information, recommendations, and support from the **program** [IOU/Implementer] has accelerated the decision to replace the equipment by | | | | |  |
| **<1.5 years** | >1.5 but <3 years | >3 years | **No Plan** | Unknown |
| 6 | How significant were factors such as O&M (Operations and Maintenance), labor savings, equipment reliability, production improvements, occupant satisfaction, Title 24 Energy Code, or other mandated compliance in the decision to replace the equipment in this project? | | | | |  |
| **Very Significant** | Significant | Neither Significant nor Insignificant | Insignificant | **Very Insignificant** |
| **Total Score** | | | | | |  |

By signing below, I certify that the above is true and correct to the best of my knowledge. I acknowledge that misrepresentation will result in a rejection of the project as an Accelerated Replacement.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_

Customer Signature Customer Printed Name Date

# Appendix C. Example Small Business Self-Certification Affidavit

## 

## Proposal 1 for Repair Eligible/Repair Indefinitely Qualification

**Developed by Rich Sperberg, OnSite Energy**

**These criteria intended to apply to equipment on a case-by-case basis, not necessarily for a market or class of equipment)**

**Background/Implementer Observations:**

Resolution E-4818 analyzes Repair Eligible and Repair Indefinitely cases and assumes “Rational decision-making” to Customer decisions, but Customer decisions affected by many factors, e.g.:

1. Availability of expense versus availability of capital dollars and process for allocation of capital.
2. Knowledge of options for replacement versus repair.
3. History of Customer approach to equipment repair versus replacement.

Challenge is to provide resources and incentives to encourage replacement of equipment with more efficient equipment/systems rather than repair existing equipment. Proposal is to simplify qualification for incentives/3P Programs for repair eligible and repair indefinitely opportunities.

**Repair Eligible Criteria/Definition/Straw proposal**

1. Existing equipment is not operating (not meeting Customer requirements)
2. Existing equipment can be repaired to meet Customer requirements. Estimated cost of repair is available.
3. Alternative exists to replace equipment with more efficient new equipment and improve system efficiency (e.g., add controls and/or other system improvements)
4. Payback of replacement versus repair can be determined.
   1. Payback is Cost of new equipment option minus Cost of repair of existing equipment divided by system energy savings of new equipment/system improvements.
   2. Energy savings is existing equipment performance (energy use) prior to failure (if measurements available) or nominal efficiency/performance (energy use) of existing equipment (if measurements not available) minus efficiency/performance (energy use) of new equipment, including system improvements (as measured in post-project M&V). Nominal efficiency of existing equipment (if measurements are not available) would be determined as degraded performance as appropriate and justified.

Incentives paid per applicable program rules based on incremental cost of new equipment/system improvements (Incremental cost is cost of replacement/system improvements minus estimated cost of repair)

If repair would extend life of existing equipment for DEER EUL, no dual baseline – EUL of replacement equipment determines life cycle savings

If repair would extend life of existing equipment less than DEER EUL, apply Dual baseline with second baseline as Code.

If existing equipment is connected to other energy using equipment, a separate determination of repair/replacement of that equipment would be made at the time of failure or accelerated replacement of that equipment.

1. Existing equipment is operating and meeting Customer requirements
2. Existing equipment not in imminent failure mode (as verified at pre-inspection or per program rules)
3. Retrofit/Replacement identified in audit
   1. Internal Customer audit
   2. 3P Audit/Project Feasibility Study (PFS)
   3. Other Program audit/assessment
4. Existing equipment can be repaired to extend life for “foreseeable future”, e.g.:
   1. Re-wind motor
   2. Overhaul of compressor/chiller/pump/etc.
   3. Replace burned out lamps with like-for-like

Incentives paid per applicable program rules based on full replacement equipment/system improvement costs

No dual baseline – EUL of replacement equipment determines life cycle savings.

If existing equipment is connected to other energy using equipment (e.g. pump if pump motor is being replaced as repair indefinitely), a separate determination of repair/replacement would be made at the time of failure or accelerated replacement of that equipment.

Stakeholder Comments

* Rob/SCE – broken add-on equipment belongs in BRO, not Repair-Eligible; Paden agrees (e.g., boiler economizer)
* Consider tiered requirements and levels of rigor based on size/type of project (both Rich and Paden’s proposals assume large projects)
* Jeff – need more on program influence; equipment cannot be part of a planned replacement program; General statement about classes of equipment is not sufficient
* Kay – criteria need more specifics (too “squishy”)
* PAs need to provide evidence for these classes of equipment to “pre-qualify” whole classes of equipment) OR equipment may be approved on a case by case basis if it meets the Task 3 defined criteria.

## Proposal 2 for Repair Eligible/Repair Indefinitely Qualification

**Developed by Paden Cast, SCG - Proposal is generally focused on heavy industrial equipment; comparable to a full-rigor approach**

“Repair Indefinitely” is an equipment designation that allows functional long-lifecycle equipment to be considered for the Accelerated Replacement measure category beyond the 20 year CPUC maximum EUL limit. This designation would alter the EUL and RUL values to predetermined values (based on equipment categorization) and allow for dual-baseline consideration.

Repair Indefinitely is a status ascribed to an equipment in a facility where the following is true:

1. The equipment/process was designed such that regular and periodic maintenance is sufficient to maintain a constant level of service (DESIGN); and
2. The expected cost of equipment replacement far exceed the cost of regular and periodic equipment maintenance to provide a constant level of service (COST); and
3. the CPUC maximum EUL of 20 years does not correctly describe the full equipment useful life of the equipment as the customer intends to operate it (LIFECYCLE); and
   1. The existing system was the ISP design at the time of development (BEST AVAILABLE AT DEVELOPMENT); or
   2. The facility replacing the existing system requires an extensive capital approval process that is intended to restrict the replacement of functioning equipment (BURDENSOME INTERNAL APPROVAL PROCESS)

Recommended EUL/RUL values:

For Heavy Equipment (Units designed with ≥20 Functional Useful Life at design outset):

EUL: 20 years

RUL: 13 years (2/3 EUL)

For non-Heavy Equipment (Units designed with <20 Functional Useful Life at design outset)

EUL: 10 years

RUL: 6.7 years (2/3 EUL)

Evidentiary Standard

1. Historical capital budget planning documentation (prior to project) that indicates equipment-specific maintenance outlays AND Invoices of equipment-specific maintenance outlays; or
2. Lifecycle design documentation that indicates that the equipment was designed to operate for a period exceeding 20 years; or
3. In house engineering analysis comparing repair vs replace (internal) AND estimated associated costs; or
4. Historical evidence of regular maintenance AND at least one documented instance of significant repair activities to critical systems that extends the life of the equipment; or
5. External scoping documentation regarding equipment-specific repairs AND cost estimates for repairs AND cost estimates for replacement; or
6. Evidence that the unit is “grandfathered” under AQMD rules AND scoping documentation for impending repairs AND cost estimates for repairs AND no AQMD violations that indicate that modifications to the existing equipment are intended for emissions compliance purposes

Stakeholder Comments

# Appendix D. Example Small Business Self-Certification Affidavit

The following text is from the SCE Micro-Business Self-Certification Affidavit: <http://t2wg.cadmusweb.com/Documents/Meeting%203%20-%20May%2010/ExampleAffadvit_SCE14-904.pdf>

Stakeholders should edit this text or create new text to satisfy the self-certification of small business according to the T2WG recommended definition.

In accordance with Decision (D). 10-10-032 and (D). 10-11-037, qualifying non-residential customers (excluding fixed usage and non-metered customers) may benefit from certain deposit and backbilling rules that apply to residential customers. If your business (aggregated by service account) had an annual usage of under 40,000 kWh during the previous calendar year, or had a monthly demand of less than 20 kW during the previous calendar year, Southern California Edison (SCE) qualifies you for these deposit and backbilling rules automatically.

If, however, your business does not meet the above-described usage or demand criteria, or for whom SCE lacks 12 months of data from the previous calendar year to make this assessment, you may use this form to self-certify that you qualify as a Micro-Business under the California Government Code.

The customer of record on the affected account may certify as a Micro-Business by self-certifying per the instructions below.

**I. Customer Declaration**

I,\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(name), hereby certify that I am authorized to make this declaration as the Customer or as an authorized representative of the Customer \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (name on account).

I have personal knowledge of the matters set forth herein and, if called upon as a witness, could and would testify competently thereto.

I understand that, notwithstanding my signature below, if the information provided by me is not accurate, my business will not be considered a “Micro-Business” by SCE.

I hereby certify that my business qualifies as a Micro-Business, as defined in California Government Code 14837 (and as adjusted by the California Director of General Services). As of December 27, 2010, a Micro- Business is defined under California law as a small business which EITHER, together with affiliates, has average annual gross receipts of three million five hundred thousand dollars ($3,500,000) or less over the previous three years, OR is a manufacturer primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products (classified between Codes 31 to 33, inclusive, of the North American Industry Classification System), with 25 or fewer employees.

I declare~~, under penalty of perjury under the laws of the State of California,~~ that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_ at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (City, State)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date

**II. Customer Account Information**

Name on Account:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Current Service Account Number(s):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Service Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City, State, Zip: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Meter Number(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Weblink: <http://www.dgs.ca.gov/pd/programs/osds/sbeligibilitybenefits.aspx>) [↑](#footnote-ref-2)
2. As described in Proposal 4A, or weblink: <http://www.dgs.ca.gov/pd/programs/osds/sbeligibilitybenefits.aspx>) [↑](#footnote-ref-3)
3. Decision 10-10-032 (as corrected by Decision 10-11-037) - DECISION REVISING TARIFF RULES FOR SMALL BUSINESS CUSTOMERS [↑](#footnote-ref-4)