Mosley, Juralynne B.

From: Talbot Gee <tgee@hardinet.org>
Sent: Thursday, November 19, 2015 2:38 PM
To: Gruendling, Paula
Cc: Bob Wiseman (bwiseman@cphac.com); Don Langston <Don.Langston@airerite.com> (Don.Langston@airerite.com)
Subject: Nov. 6 Baseline Workshop Comments

Paula,

Here are some brief comments specific to any HVAC/R topics regarding this workshop:

1. All baseline considerations presented referenced only unitary (i.e. equipment) efficiencies with no mention of the impacts of installation and maintenance practices. WHPA has done extensive research on installed efficiencies and the impact of proper maintenance that Navigant should consider. Absent those considerations, your baseline estimates will be inflated.
2. Installed systems' performance is not a straight-line efficiency as shown on Navigant's presentation. It will degrade even with proper maintenance, and degrade even faster without it.
3. Residential and commercial maintenance and replacement dynamics are different and should be treated separately. Of most important note, commercial HVAC is not eligible in the current tax code for expensing or accelerated depreciation, and must be depreciated over 39 years which means equipment is left in the field usually far past their "useful lives". In short, using manufacturer life expectancies for commercial equipment significantly overestimates the replacement rate of this equipment.
4. There are several ongoing proceedings to change federal minimum efficiency standards for residential and commercial HVACR products that did not appear to be taken into account in Navigant's modeling. Most specifically, these models need to account for the delayed replacements that occur every time minimum efficiencies increase.
5. JP Morgan Equity Research does excellent annual reports about the HVACR industry which offer effective efforts to quantify these kinds of disruptions.
6. Navigant needs to talk to actual contractors which will mean going to them because they're too busy for day-long regulatory proceedings. I've copied two on this email because they are highly-engaged in California, and they are also leaders within IHACI (CA state contractors association) and ACCA (national contractors association). They can offer you guidance on how to best engage the contractor community. Proceeding with this endeavor absent the contractors' input is destined to lead to grossly mischaracterize actual baseline assumptions and missed savings opportunities.

My final comment is a more general one about this entire proceeding. CPUC did not appear to understand that the vast majority of current HVACR programs are not primary drivers of the industry's business in California. The HVACR industry's growth since the recession has outpaced participation in CA efficiency programs so these programs are not driving our industry's growth in their current state. As such, our participation in processes like these are not motivated by trying to protect or preserve any financial gains given by these programs. Rather, the HVACR industry is trying to help inform the state and assist in the achievement of its often unrealistic efficiency goals, and I left the workshop with the feeling that our help is not particularly wanted, listened to, or of much value to this process. We don't like watching anyone's money or time wasted yet absent real interaction and engagement with the contractor community that is exactly what you're likely to get out of this exercise at least as it pertains to HVACR.

Sincerely,
Talbot

Talbot H. Gee

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