

March 24, 2008

California Investor Owned Utilities (IOUs):

Pacific Gas and Electric Company  
San Diego Gas and Electric Company  
Southern California Edison Company  
Southern California Gas Company

Re: Comments of HARDI on Preliminary Energy Efficiency Strategic Plan

Dear California IOUs:

The Heating, Airconditioning & Refrigeration Distributors International (HARDI) commends the California IOUs, the California Public Utility Commission, and the California Energy Commission on its progress with this wide-reaching and ambitious draft Energy Efficiency Strategic Plan. We believe the latest draft includes several initiatives that will lead to increased energy efficiency and HARDI is encouraged to identify numerous opportunities to assist the IOUs and the state to achieve its efficiency goals most effectively.

HARDI represents over 450 wholesale distributors worldwide of heating and cooling equipment, systems, components, and accessories. Our distributor members represent over 80% of the industries total wholesale business in North America, estimated at nearly \$30 billion annually. In the United States and specifically the state of California, HARDI distributor members cover virtually all markets in providing a full range of HVACR equipment and market specialties for new construction and repair/replacement installations including residential, light commercial, and commercial as well as commercial refrigeration, industrial and building system controls, and government and institutional applications. In addition to our core wholesale distributor members, HARDI's membership also includes over 500 manufacturing, service, and manufacturers' representative firms in the HVACR industry.

HARDI is a close industry partner with the Air Conditioning Contractors of America (ACCA) whose contractor membership represents a large portion of our members' customer base. HARDI and its member companies spend considerable resources to develop and offer training resources to HVACR contractors that augment the considerable education already offered by ACCA. Each HARDI distributor member company location (nearly 5,000 in total just in North America) has contact with hundreds of contractors per day totaling thousands of HVACR technicians touched across the U.S. every 24 hours. It is important, in HARDI's opinion, that the California IOUs take advantage of the key role HARDI distributors play in the HVACR industry as a primary trainer, educator, and communicator with the industry's technicians. As such, HARDI strongly endorses and supports the comments submitted on this draft strategic plan by ACCA.

Specifically, HARDI makes the following recommendations to the IOUs, first expanding on ACCA's comments and second, providing additional comments:

- ACCA recommendation #1- Creation of a stakeholder's committee:
  - In HARDI's opinion, industry involvement is not only important, but is vital to the success of the HVAC strategic plan. In addition to professional staff, HARDI is pleased to encourage, gather, and incorporate distributor members operating in California, some of which have already been engaged in the early discussions on this strategic plan, to ensure that HVACR professionals with the most current local and state-wide market and product knowledge are involved.
- ACCA recommendation #2- Adoption of national HVAC QI and QM standards:
  - HARDI assisted ACCA in writing these standards and emphatically endorses them. HARDI members are well-versed in these standards and train to them in their contractor/dealer development programs. More importantly, most HARDI distributor members service multiple states and, obviously multiple utility service territories therefore, while utilities' acknowledgement of the value of QI and QM practices is excellent, attempts to establish separate and unique QI and QM standards is difficult for HARDI distributors to follow and support while comprehensive national standards already exist.
  - An industry task force to continue development of a state-wide (and potentially national) verification program to certify QI and QM practices is aligned with IOU interests but such a verification system must achieve industry support to ensure tangible growth of these programs.
- ACCA recommendation #3- Embrace and incorporate the training/education efforts of others:
  - Training and education programs for HVACR professionals is expensive and time intensive to develop so it is imperative that the strategic plan involve the cataloging and charting of all resources already available in this marketplace, predominately from the various trade associations.
  - HARDI's nearly 50 year-old Home Study Institute is already a valuable resource for accomplishing several of ACCA's and the IOUs' recommendations for increasing training and HVAC knowledge for primarily non-technical individuals such as sales professionals, less technical government personnel, interested consumers and marketers.
  - HARDI has developed the industry's first certification for distributor counter sales professionals. This intensive, four stage certification is a significant step towards ensuring that over-the-counter sales of HVACR products are technically correct and properly matched with new or existing system components.
- ACCA concern #1 re: 1<sup>st</sup> bullet, pg. 61, option for equipment tracking
  - HARDI member companies are potentially affected more so by this proposed action item than any other initiative in this draft of the strategic plan. To state that such a tracking program would be an administrative challenge for HVACR distributors would be an understatement since much of the products purchased from manufacturers is stocked for future sale then often sold to customers who may not know where it will eventually be used. For these and many other

reasons, HARDI strongly recommends that an industry task force be established to work with the IOUs and the CPUC on any future efforts to this end.

- ACCA concern #2 re: pg. 61, systems diagnostics:
  - Again, HARDI offers that this is another initiative requiring industry participation to develop and achieve. HARDI's initial recommendation would be that a diagnostic program that notified only the installing contractor could potentially be effective.

#### Additional comments and recommendations:

- **Code Compliance:** The strategic plan calls for industry involvement to help increase code compliance, specifically Titles 20 and 24, which HARDI supports and welcomes an opportunity to oblige. However, we recommend that the plan's stated intentions to expand both codes also involve industry participants to ensure that new or expanded codes can achieve greater compliance immediately upon introduction.
  - HARDI concurs with ACCA's position regarding the immediate need for more intensive and consistent state enforcement of the current codes. Industry is not positioned, equipped, or prepared to be an enforcement arm for these codes and industry can only do so much to support the codes without a strong state enforcement mechanism.
  - We believe that the overwhelmed code inspection/enforcement offices that are unable to keep up with the workloads associated with less than 10% compliance, require significant assistance to be able to sustain a renewed effort to increase compliance.
  - It is important to note in the strategic plan's marketing initiatives that many homeowners have little demand for proper permitting that can currently cause work delays and significantly higher costs. Without a state enforcement mechanism, industry can do little to overcome this hurdle.
  - HARDI would be interested in participating in discussions to review the third party verification system and the potential for "deputizing" such verifiers to perform code inspections however for such services to continue to be an added expense for compliant installers is counterproductive to our shared objectives.
- **Whole-System Considerations:** HARDI is generally supportive of the whole-system design recommendations in the strategic plan but recommends that a similar emphasis is placed on whole-system performance. For example, the highest efficiency HVAC products are not always required to achieve the most efficient system performance, especially when affordability (which is usually the single greatest obstacle to adoption) is taken into account. Highly efficient and affordable hybrid systems that can be shown to reduce overall energy consumption should not be mandated out of new codes for utilizing some mid-efficiency equipment.
- **Assigning Greater Value to High-Efficiency HVAC Systems:** While HARDI is uncertain whether new residential time-of-sale inspections and mandatory retrofits will be effective without homeowner/homebuyer-assigned value to such upgrades, HARDI recommends that the IOUs consider a program in which industry training resources are formatted for real estate professionals to help raise awareness of the HVAC infrastructure in any home on the market. Homebuyers who are informed of investments made by builders and

previous homeowners in high-efficiency HVAC systems will be more likely to factor that into their buying decisions thereby creating greater equity value in high-efficiency HVAC upgrades. We also believe that realtors who can advertise such proficiencies that can save homebuyers considerably in future utility expenses will be at a competitive advantage.

- Certainty and Enforceability of Equipment Standards: HARDI is a strong proponent of single federal standards on HVACR equipment that preempt state and local standards. Widely varying state and/or local standards, especially without a proven enforcement mechanism, could end up delaying energy efficiency advancements as:
  - Mandated increased costs for available new equipment drive consumers to maintain older, less efficient equipment rather than replacing it.
  - Manufacturers choose not to produce to some stringent state or local standards thereby reducing open market competition and consumer choice while further inflating equipment prices.
  - Eliminating today's effective good, better, best product options for consumers that currently help industry professionals promote high-efficiency HVAC equipment.
  - Increasingly higher equipment first costs only encourages pressures for incomplete or mismatched installation practices as installers are forced by consumers to reduce final installation costs.
- As briefly referenced in the strategic plan's introductory comments, HARDI has significant concerns about potential conflicts in concurrent state efforts to reduce GHG emissions while aggressively driving energy efficiency. The HVACR industry is in the midst of an industry-wide transition from ozone-depleting HCFC refrigerants to HFC refrigerants that could potentially become subject to GHG-reduction regulations. The industry's newest and most efficient equipment nearly all requires HFC refrigerants so any regulations that make these relatively insignificant contributors to GHG emissions (estimated by the USEPA to be less than 5% of total emissions) either limited in supply or greater in cost would severely hinder industry, utility, and state efforts to widen adoption of the most efficient HVACR equipment. State exemptions for HVACR HFC refrigerants in any potential GHG regulations would go far towards supporting the intent of this strategic plan.

In closing, HARDI wholesale distributors of HVACR equipment and supplies, in close coordination with other industry partners, utilities, and government bodies have already proven to be effective at promoting energy-saving measures and we are encouraged to see so many additional opportunities to advance further in this strategic plan. We thank you for the opportunity to comment on this bold initiative and we look forward to working with all concerned stakeholders in the future.

Sincerely,

Donald L. Frenberg  
HARDI  
Executive Vice President & C.O.O.

Talbot H. Gee  
HARDI  
Vice President