

DOCKETED

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On CEC's Request for Written Comments

Additional submitted attachment is included below.



445 Hutchinson Avenue
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October 19, 2018

The Honorable Andrew McAllister
Commissioner
California Energy Commission
Dockets Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Submitted via email

RE: CEC’s Request for Written Comments for the Improving Energy Compliance of Central Air Conditioning and Heat Pump Systems, Docket No. 2017-EBP-01

Dear Commissioner McAllister,

On behalf of Heating, Air-conditioning & Refrigeration Distributors International (HARDI) I write to offer an additional method for improving permit compliance through tracking of contractors use of permits. I want to submit to the following proposal as a follow up to the in-person meeting between myself and CEC staff on September 28, 2018.

HARDI is a trade association comprised of nearly 1,000 member companies, nearly 500 of which are U.S.–based wholesale distribution companies. More than 80 percent of HARDI’s distributor members are classified as small businesses that collectively employ over 35,000 U.S. workers, representing more than \$35 billion in annual sales and an estimated 80 percent of the U.S. wholesale distribution market of heating, ventilation, air-conditioning and refrigeration (HVACR) equipment, supplies, and controls.

Background:

As has been previously mentioned in other comments, air conditioner replacements have permit

compliance as low as five percent. It has also been mentioned in a CEC workshop that licensed contractors are knowingly ignoring the permit process to lower costs. Increasing enforcement of contractors is an easy way to increase permitting. According to one surveyⁱ more than 80 percent of contractors don't believe their competitors will be caught or penalized for not obtaining permits, without an increased expectation of enforcement it will be impossible to increase permit compliance.

Proposed contractor permit compliance tracking

Several commenters have put forward a plan for equipment registration, one commenterⁱⁱ even stating:

Equipment Registration offers a potentially viable solution to achieve up to 100% compliance by utilizing a statewide database registry that is simple to design, requires minimal effort to operate and maintain, and provides the least amount of cost and expense to all participants, including the state.

This proposal would require a massive investment in new databases and will waste countless hours by state employees tracking equipment not installed in the state. HARDI believes there is a much simpler database tracking solution to improve permit compliance.

Several commenters have called for the state to implement a state-wide online permitting process and HARDI supports this proposal to streamline the permitting process. In developing this online permitting process, the state can easily require contractor license numbers be included in the permit application. The California State Licensing Board, or CEC, can then compare the list of contractors pulling permits with the list of contractors with active licenses to determine which

contractors are not pulling permits. This simple two-step tracking system will give the state the information needed to crack down on contractors installing equipment without permits. Such a system would also not require any business to submit confidential business information to the state, unlike some digital tracking proposals. This solution truly “is simple to design, requires minimal effort to operate and maintain, and provides the least amount of cost and expense to all participants, including the state.”

Additional comments on equipment tracking

I would like to also take this opportunity to respond to some commenters calling for equipment tracking that are poorly designed and create major problems if implemented. A prime example is the equipment tracking solution proposed by the California Energy Alliance (CEA).ⁱⁱⁱ

Under the CEA proposal every distributor in the state would be required to release confidential business information to the California Energy Commission to determine how many units will be sold in the future. There is no legitimate reason to require this disclosure. No business wants to disclose sales data to an outside organization without a good reason to do so, and this data is protected by state and federal trade regulations.

The proposal assumes all of the units brought into California will be installed in California, many distributors have locations outside the state, how will the tracking system deal with units sold and installed in another state?

Additionally, the CEA proposal relies on distributors attaching permanent stickers to equipment in their warehouses. This would require distributors to open the shipping box to apply the sticker, this opens up distributors to a lot of future liability if homeowners sue the supply chain if

equipment were to break. Distributors' best shield from liability is maintaining the integrity of the shipping box, once the box is opened it is impossible to prove where a fault could have happened.

Conclusion

There are several solutions that are easy to implement and will increase permit compliance and HARDI supports solutions that focus on the problem. Increasing enforcement and making it easier to obtain permits will have the greatest impact on permit compliance. HARDI also reiterates its opposition to a complicated equipment tracking (including serial number tracking, or digital tracking of equipment) program. I also encourage the commission to look for ways to improve government oversight of contractors and the permit process as it works with the industry to improve compliance.

HARDI appreciates the opportunity to comment and looks forward to working with the commission to solve this important issue.

Sincerely,



Alex Ayers
Director, Government Affairs
Heating, Air-conditioning, & Refrigeration Distributors International

ⁱ Docket submission: REALIZED ENERGY SOLUTIONS Aug 3 Workshop slides. Heinemeier, Kristin. August 7, 2018.

ⁱⁱ Docket submission: Equipment Registration - Updated 20 Aug 2018. Eads, Roy. August 20, 2018.

ⁱⁱⁱ Docket submission: California Energy Alliance's Comments on HVAC Compliance Plan in Support of SB1414. California Energy Alliance. September 14, 2018.