

DOCKETED

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| Docket Number: | 18-AAER-05 |
| Project Title: | Commercial and Industrial Air Compressors |
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| Document Title: | Notice of Proposed Action |
| Description: | Notice of Proposed Action for commercial and industrial air compressors. |
| Filer: | Corrine Fishman |
| Organization: | California Energy Commission |
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NOTICE OF PROPOSED ACTION

Title 20. Public Utilities and Energy
Division 2. State Energy Resources Conservation and Development Commission
Chapter 4. Energy Conservation
Article 4. Appliance Efficiency Regulations
Sections 1601-1609

California Energy Commission
Commercial and Industrial Air Compressors
Docket No. 18-AAER-05
Notice Published on November 16, 2018

INTRODUCTION

The California Energy Commission (Energy Commission) proposes to adopt regulations for commercial and industrial air compressors (air compressors) after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING:

The Energy Commission staff will hold a public hearing for the proposed regulations on the following date and time. Interested persons or authorized representatives may present oral and/or written statements relevant to the proposed regulations at the hearing. The Energy Commission requests that any person making oral comments also submit a written copy of their oral comments at the hearing.

January 3, 2019
10:00 a.m. – 12:00 p.m. (Pacific Time)
California Energy Commission
1516 9th Street
Sacramento, CA 95814
Rosenfeld Hearing Room
(Wheelchair accessible)

Audio for the hearing will be broadcast over the Internet. Details regarding the webcast can be found at www.energy.ca.gov/webcast.

If you have a disability and require assistance to participate in the hearing, please contact Yolanda Rushin at Yolanda.Rushin@energy.ca.gov or (916) 654-4310, at least five days in advance.

WRITTEN COMMENT PERIOD

You may submit written comments to the Energy Commission for consideration on or before **5:00 p.m. on December 31, 2018**. The Energy Commission appreciates receiving written comments at the earliest possible date.

Please submit comments using the Energy Commission's e-commenting feature by going to the Energy Commission's Commercial and Industrial Air Compressors webpage at http://www.energy.ca.gov/appliances/2018-AAER-04-06_08/18-AAER-05.html, Docket Number 18-AAER-05, then select the "Submit e-comment" link. A full name, email address, comment title, and either a comment or an attached document (.doc, .docx, or .pdf format) is mandatory. After a challenge-response test, click on the "Agree & Submit Your Comment" button to submit the comment to the Energy Commission's Docket Unit.

Please note that written comments, attachments, and associated contact information included within the written comments and attachments (e.g., your address, phone number, email address) become part of the viewable public record.

You are encouraged to use the electronic filing system, described above, to submit comments. All written comments submitted prior to the hearing must be submitted to the docket unit. If you are unable to submit electronically, a paper copy of your comments may be sent to:

Docket Unit
California Energy Commission
Docket No. 18-AAER-05
1516 9th Street, MS-4
Sacramento, CA 95814
Telephone: (916) 654-5076

Comments may also be submitted email to DOCKET@energy.ca.gov, or by fax to (916) 654-4354

PUBLIC ADVISER:

The Energy Commission's Public Adviser, Alana Mathews, is available to assist any person who wishes to participate in this proceeding. For assistance from the Public Adviser's Office, please call (916) 654-4489 or toll-free in California at (800) 822-6228 or contact publicadviser@energy.ca.gov.

NEWS MEDIA INQUIRIES:

News media inquiries should be directed to the Media and Public Communications Office at (916) 654-4989, or by email at mediaoffice@energy.ca.gov.

STATUTORY AUTHORITY AND REFERENCE

Public Resources Code Sections 25213, 25218(e), and 25402(c) authorize the Energy Commission to adopt rules or regulations, as necessary, to implement, interpret, and make specific Public Resources Code sections 25402(c) and 25216.5(d).

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The Warren-Alquist Act establishes the Energy Commission as California's primary energy policy and planning agency. Sections 25213, 25218(e), and 25402(c) of the Public Resources Code mandate that the Energy Commission adopt rules and regulations, as necessary, to reduce the inefficient consumption of energy and water by prescribing efficiency standards and other cost-effective measures for appliances whose use requires a significant amount of energy or water statewide.

One of the ways the Energy Commission satisfies this requirement is through the Appliance Efficiency Regulations (California Code of Regulations, Title 20, Sections 1601-1609), which contain definitions, test procedures, efficiency standards, and marking and certification requirements for state and federally regulated appliances. Further, the regulations require that appliance manufacturers certify to the Energy Commission that their products meet all applicable state and federal appliance efficiency regulations before their products can be included in the Energy Commission's database of appliances approved to be sold or offered for sale in California.

Appliance energy efficiency is identified as a key to achieving the greenhouse gas (GHG) emission reduction goals of Assembly Bill 32 (Núñez, Chapter 488, Statutes of 2006). Senate Bill 350 (de León, Chapter 547, Statutes of 2015), established the Clean Energy and Pollution Reduction Act of 2015, requiring the Energy Commission to establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a doubling of energy savings from buildings and retail end uses by 2030.

Therefore, in compliance with statute, the Energy Commission has prepared the proposed regulations to provide updated and new definitions, data reporting requirements, and efficiency standards for air compressors manufactured on or after January 1, 2022, that are sold or offered for sale in California.

Difference from existing comparable federal regulation or statute

No federal efficiency standards currently exist for air compressors. The United States Department of Energy (DOE) considered energy conservation standards for air compressors in a rulemaking in 2016, but to date has not published a final rule in the Federal Register. However, DOE did publish a final test procedure for air compressors in the Federal Register that became effective January 4, 2017, and required for compliance on July 3, 2017, making it the applicable test procedure for all air compressors manufactured in or imported into the United States. The Energy Commission incorporated this test procedure into its regulations as part of a previous rulemaking (docket #18-AAER-10).

The Energy Commission used information from the DOE rulemaking to support the proposed regulation.

Broad objectives of the regulations and the specific benefits anticipated by the proposed amendments

The broad objective of the regulations is to increase energy efficiency savings in the state by carrying out our statutory mandate to provide statewide standards in the Appliance Efficiency Regulations. Federally regulated commercial and industrial air compressors were added under the scope of the Appliance Efficiency Regulations in a previous rulemaking along with definitions and the federal test method. These regulations are proposing to establish a product category for state-regulated air compressors, clarify the scope, provide additional definitions, include data reporting requirements, and set efficiency standards for state-regulated air compressors.

The specific benefits of the proposed regulations would be cost savings to the consumer, lower statewide energy use, and lower greenhouse gas and criteria pollutant emissions from power plants as a result of lower energy use. Under the proposed regulation, Californians will have a first year energy savings of around 25 GWh with an approximate energy savings after full stock turnover (14 years) of 322 GWh/yr. The energy savings are equivalent to a monetary statewide benefit of around \$4 million in savings for the first year and an estimated \$49 million annually after full stock turnover.

Determination of inconsistency or incompatibility with existing state regulations

The Energy Commission has conducted an evaluation for any other regulations in this area and has concluded that these are the only regulations related to the energy consumption of air compressors and enforced at the point of sale. Therefore, the proposed regulations are neither inconsistent nor incompatible with any other existing state regulations. The regulations provide

definitions, reporting requirements, and efficiency standards for air compressors manufactured on or after January 1, 2022 and sold or offered for sale in California.

DOCUMENTS INCORPORATED BY REFERENCE

The Energy Commission Proposes to incorporate the following documents by reference:

- Code of Federal Regulations, Title 10, Section 429.63.
- Code of Federal Regulations, Title 10, Section 429.70.
- Appendix A to Subpart T of Title 10 Code of Federal Regulations, Section 431.

Pursuant to California Code of Regulations, Title 1, Section 20, copies of these documents are available for review on the Energy Commission's website and at the Commission located at 1516 Ninth Street, Sacramento, California 95814. For the Code of Federal Regulations, Title 10 copies are available from:

Superintendent of Documents
U.S. Government Printing Office
Washington, DC 20402
www.ecfr.gov

MANDATED BY FEDERAL LAW OR REGULATIONS

None

OTHER STATUTORY REQUIREMENTS

None

FISCAL IMPACTS

The Energy Commission has made the following initial determinations:

- A mandate on local agencies and school districts: None
- The cost to any local agency or school district requiring reimbursement pursuant to 17500 et seq.: None
- Cost or savings to any state agency: None
- Non-discretionary cost or savings imposed upon local agencies: None
- Cost or savings in federal funding to the state: None
- Significant effect on housing costs: None
- Cost impact on small business: The Energy Commission has identified three small

businesses engaged in the manufacturing of air compressors in California. Energy Commission staff assumes that air compressor manufacturers would not experience additional costs related to the manufacturing upgrades and new testing requirements as marginal sales prices exceed marginal manufacturing costs and are therefore passed on to distributors, retailers, and end-users.

The Energy Commission assumes that commercial and industrial air compressors consumers are primarily businesses and not individuals. The Energy Commission estimates 1500 small businesses are end users of air compressors. Businesses will be impacted if they purchase regulated compressors. The efficiency standards for air compressors have an initial increased incremental cost to businesses for the improved efficiency. However, the savings from the lower utility bills over the lifetime of the more efficient air compressors exceed the incremental costs of improvement, resulting in overall economic savings. Therefore, the Energy Commission is not aware of any significant cost impacts that a small business would incur in reasonable compliance with the proposed action.

SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS, INCLUDING ABILITY OF CALIFORNIA BUSINESSES TO COMPETE WITH BUSINESSES IN OTHER STATES

The Energy Commission estimates that approximately 3,000 California businesses may be impacted by the regulations each year, including distributors, retailers, electric utilities, manufacturers, and businesses purchasing compressors. However, these regulations are not likely to result in a significant adverse economic impact on any business including the ability of California businesses to compete with businesses in other states.

Businesses will be impacted if they purchase regulated compressors. The Energy Commission assumes that both in-state and out-of-state manufacturers will pass the incremental cost to improve the efficiency of an appliance on to the businesses involved in the distribution and sales of air compressors, which in turn will then pass the cost on to the consumers. The Energy Commission assumes that commercial and industrial air compressors are typically purchased by businesses not individuals. Efficiency standards for air compressors have an initial increased incremental cost to businesses for the improved efficiency, but the increased efficiency will result in lower utility bills to those businesses through reduced electricity consumption. The savings from the lower utility bills over the lifetime of the more efficient air compressors exceed the incremental costs of improvement, resulting in overall economic savings.

Under the appliance efficiency regulations (sections 1608 and 1609), retailers and/or distributors are responsible for ensuring that the air compressors they sell are certified

to California Energy Commission's Modernized Appliance Efficiency Database System (MAEDbS) prior to being offered for sale in California. Because air compressors are a newly regulated product, the Energy Commission assumes that retailers and distributors will experience some additional costs associated with verifying that compliant air compressors appear in MAEDbS.

Some distributors and/or retailers may incur additional costs if they choose to rebrand an air compressor purchased outside of California not certified to MAEDbS and wish to sell it in California. Since the re-branded air compressor will require certification to MAEDbS, these distributors and/or retailers will incur an additional cost associated with the certification.

Sellers of electric power, both retail and wholesale, may experience slightly reduced sales of electricity due to the proposed standard. However, any reduction in sales is small compared to the total electricity sales of these entities and is therefore negligible.

The Energy Commission assumes that half of the businesses impacted are small businesses.

COST IMPACTS ON REPRESENTATIVE PERSON OR BUSINESS

The Energy Commission is not aware of any significant cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

The Energy Commission assumes that commercial and industrial air compressors are typically purchased by businesses or industry, not individuals. Therefore, there are no initial changes in the purchase costs for a representative private person from the proposed standards. Businesses will be impacted if they purchase regulated compressors. The efficiency standards for air compressors have an initial increased incremental cost to businesses for the improved efficiency. However, the savings from the lower utility bills over the lifetime of the more efficient air compressors exceed the incremental costs of improvement, resulting in overall economic savings. The Energy Commission estimates that the regulations may indirectly create 12 jobs in California and will not eliminate any jobs. This is based on the DOE's Technical Support Document's indirect employment impact analysis. Because air compressor shipments and sales are not expected to change significantly as a result of the proposed regulations, the economic impact on any business is expected to be insufficient to support the creation or cause the elimination of any business. Therefore, the Energy Commission is not aware of any significant cost impacts that a business would incur in reasonable compliance with the proposed action.

BUSINESS REPORT

The proposed regulations impose new data reporting requirements on manufacturers of air compressors. The Energy Commission has identified three California air compressors manufacturers.

State law (Public Resources Code § 25402(c)(1)) requires manufacturers to report to the Energy Commission that their appliances comply with the applicable energy efficiency standards before they are sold or offered for sale in the state. The Appliance Efficiency Regulations require manufacturers to provide specified information for this purpose to the MAEDbS. MAEDbS is used by manufacturers and maintained by the Energy Commission to list the appliances authorized to be sold or offered for sale in California. This is necessary for the health, safety, and welfare of the people of the state as it helps the Energy Commission and consumers verify compliance with applicable federal and state efficiency standards. Some retailers may choose to stand in as manufacturers when they rebrand a product and take on the manufacturer's certification burden for that portable air conditioner model.

It is necessary for the health, safety, or welfare of the people of the state the regulation, which requires a report, apply to businesses.

RESULTS OF THE ECONOMIC IMPACT ANALYSIS/ASSESSMENT

The Energy Commission concludes that (1) the proposal may indirectly create jobs within California; (2) it's unlikely the proposal will eliminate jobs within California; (3) it's unlikely the proposal will create new businesses in California; (4) it's unlikely the proposal will eliminate existing businesses within California; and (5) it's unlikely the proposal will result in the expansion of businesses currently doing business within California.

Benefit of the Proposed Action: The proposed regulations would result in cost savings to the consumer, lower statewide energy use, and lower greenhouse gas and criteria pollutant emissions from power plants as a result of lower energy use. Under the proposed regulation, Californians will have a first year energy savings of around 25 GWh with an approximate energy savings after full stock turnover (14 years) of 322 GWh/yr. The energy savings is equivalent to a monetary statewide benefit of around \$4 million in savings for the first year and an estimated \$49 million annually after full stock turnover.

The proposed regulations will have a significant positive impact on the environment, and public health and welfare, through avoided greenhouse gas emissions. Therefore, the Energy Commission could not identify any adverse environmental impacts associated with the proposed efficiency standards.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code Section 11346.5, subdivision (a)(13), the Commission must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Energy Commission invites interested persons to present statements or arguments concerning alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

CONTACT PERSON

Please direct inquiries concerning all aspects of the rulemaking process including requests for copies of the proposed text (the express terms), the initial statement of reason, any modified version of the regulations, the substance of the proposed regulations, or any other information upon which the rulemaking is based to:

Corrine Fishman, Regulations manager
Efficiency Division, California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512
(916) 654-4976
Corrine.Fishman@energy.ca.gov

You may also contact Alejandro (Alex) Galdamez at Alejandro.Galdamez@energy.ca.gov or (916) 654-4315.

COPIES OF THE INITIAL STATEMENT OF REASONS, THE EXPRESS TERMS, AND RULEMAKING FILE

The Energy Commission will have the entire rulemaking file available for inspection

and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the express terms, the initial statement of reasons, and documents relied upon. Copies may be obtained by contacting Corrine Fishman at the address or phone number listed above or accessed through the Energy Commission's website at http://www.energy.ca.gov/appliances/2018-AAER-04-06_08/18-AAER-05.html.

AVAILABILITY OF SUBSTANTIAL CHANGES TO ORIGINAL PROPOSAL FOR AT LEAST 15 DAYS PRIOR TO AGENCY ADOPTION/REPEAL/AMENDMENT OF RESULTING REGULATIONS

Participants should be aware that any of the proposed regulations could be substantively changed as a result of public comment, staff recommendation, or recommendations from Commissioners. Moreover, changes to the proposed regulations not indicated in the express terms could be considered if they improve the clarity or effectiveness of the regulations. If the Energy Commission considers changes to the proposed regulations pursuant to Government Code section 11346.8, a full copy of the text will be available for review at least 15 days prior to the date on which the Energy Commission adopts or amends the resulting regulations.

COPY OF THE FINAL STATEMENT OF REASONS

At the conclusion of the rulemaking, persons may obtain a copy of the final statement of reasons by visiting http://www.energy.ca.gov/appliances/2018-AAER-04-06_08/18-AAER-05.html or contacting the contact person.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Energy Commission maintains a website in order to facilitate public access to documents prepared and considered as part of this rulemaking proceeding. Documents prepared by the Energy Commission for this rulemaking, including this Notice of Proposed Action, the Express Terms, and the Initial Statement of Reasons, have been posted on our website at http://www.energy.ca.gov/appliances/2018-AAER-04-06_08/18-AAER-05.html.