

➤ **Summary of 60-Day Notice: Business HVAC+R Systems**

The following 60-Day Notice summarizes Public Service Company of Colorado's (the "Company") action to remove and add measures to the Business HVAC+R Systems product based on Strategic Issues Proceeding No. 22A-0309EG, Decision No. C23-0413. The Midstream Cooling program will also require rebates to be passed down directly to the customer.

The Company is including with this Notice:

- Redlined Deemed Savings worksheets;
- Redlined Technical Assumptions worksheets; and
- Updated cost-benefit analysis.

A copy of this notice is available on our website at:

https://www.xcelenergy.com/company/rates_and_regulations/filings/colorado_demand-side_management

The below conclusions are found in the Finding and Conclusions section of Strategic Issues Proceeding No. 22A-0309EG Decision No. C23-0413 and were used to make the decisions to remove and add measures to the HVAC+R Systems product in the CO 2023 DSM plan. These conclusions refer to market rate segment customers so will not affect income-qualified customers.

226. The Commission notes that a material portion of customers with gas-fired space heating appliances have been widely available for at least 15 years, meeting or exceeding the typical life cycle of many residential heating units. The Commission find it appropriate to assume those customers would likely replace their heating appliances with another high efficiency unit, even without utility incentives. Further, we have good cause to believe the heat pump market will evolve rapidly over the next several years, including the manufacture, distribution, and installation segments of the market. We similarly expect customer comprehension and comfort with the technology to rapidly improve due to availability of IRA incentives and other factors facilitating market adoption. Accordingly, the Commission finds it necessary to restrict DSM incentives for high efficiency gas-fired space heating equipment to only customers replacing lower efficiency units for market rate, retrofit portion of Public Service's DSM activity starting January 1, 2024, and for all incentives for gas heating and appliances in this market segment to end by January 1, 2027. Otherwise, we would risk incentivizing behavior that would have occurred without incentives and over-counting savings and benefits by assuming lower efficiency units were being removed, even in situations where that is not the case, and no savings were actually caused by the Company's rebate.

227. Gas water heating incentives for the retrofit, market rate segment shall terminate by January 1, 2025. With federal minimum efficiency standards increasing shortly, and widely available alternatives, we find it reasonable to phase-out incentives for gas water heaters in the retrofit market beginning January 1, 2025.

228. The Commission find the arguments persuasive to terminate incentives designed to spur efficient residential air conditioning and commercial rooftop units in the retrofit, market rate segment of the market by January 1, 2024.

229. With respect to the new construction, market-rate segment of Public Service's customer base, we find the record in this Proceeding clearly indicates that the cost of electrification from the start is far more cost-effective than retrofitting gas equipment with electrification technologies at a later date. Facially, it seems inconsistent and counter-productive given the full view of policy goals to continue to give any rebates for gas-fired or traditional AC equipment in new construction. Accordingly, we find that by January 1, 2024, no incentives should be provided for residential-type gas-fired space heating, water heating, or air conditioning equipment for the new construction market.

Measures to be Removed from Commercial HVAC+R Systems Product

Gas Water Heaters

High-efficient gas water heaters are being rebated in the 2023 CO DSM BE Plan in retrofit and new construction scenarios. Based on the above conclusions the Company will cease rebating new construction water heaters sold before January 1st, 2024. Retrofit high-efficient gas water heater rebates, along with new construction water heater rebates, will not be included in the 2024-2026 CO DSM BE Plan.

Gas Space Heaters

Non-condensing gas unit heaters and gas infrared heaters used for space heating will not be rebated if sold after January 1st, 2024. These rebates will not be given in new construction and retrofit situations.

Residential Sized Commercial Air Conditioners

The Company will stop offering rebates for units sold after January 1st, 2024 for residential sized commercial air conditioning units including mini/multi split a/c and packaged terminal air conditioning units. (PTAC). The Company understands that the cost of electrification from the start is far more cost-effective than retrofitting gas equipment and there are great heat pump options for residential sized units in the marketplace.

Rooftop A/C Units with Gas Heating

The Company plans to stop offering rebates for rooftop air conditioning units of the residential size with a gas heating component that are sold before January 1st, 2024. Because commercial rooftop air conditioning units above 20 tons usually have a separate gas heating component such as a boiler system, the Company will continue to rebate these larger units in retrofit only scenarios. Heat Pump technologies are not commonly available above 20 tons and we want to continue to promote the up stocking of high-efficient commercial cooling units.

Measures to be Added to the Commercial HVAC+R Systems Product

Boiler Tune-Ups

To tune-up current gas heating technologies and reduce carbon output of gas heating systems in currently in use the Company will add a boiler tune-up program to the portfolio effective January 1st, 2024.

Condensing Boiler and Unit Heater and Boiler Retrofits

The Company understands low-efficient commercial gas heating equipment exists in the market. Previously, high-efficient condensing boiler rebates and unit heater rebates were removed from the HVAC+R Systems product due to an internal cost benefit analysis. To further promote carbon reduction and decrease gas usage, the Company will add condensing boilers, condensing process boilers, and condensing unit heater rebates in retrofit only situations where non-condensing technologies are being removed.

Midstream Cooling Program Changes

The midstream cooling program has traditionally paid incentives to distributors in to promote stocking and upselling of high-efficient cooling units. Customers have reacted to this rebate model and would like to see rebate paid downstream to them like traditional DSM rebate programs. To compromise, the Company will require incentives run through the midstream model to passed through to the customer, while still giving distributors an incentive for upselling these high-efficient units and processing these requests. The new incentive mechanism will go into effect for equipment purchased before Jan 1, 2024. The technologies currently in this model are air-cooled chillers, packaged terminal heat pumps, mini/multi split heat pumps, and water source heat pumps.

Table 1: Summary of Forecasted Impacts: Business HVAC+R Systems

	2023	
	<i>As Filed</i>	<i>Revised per 60-day</i>
Electric Savings (kWh)	40,383,030	23,491,703
Electric Demand Reduction (kW)	13,503	8,656
Budget*	\$4,128,134	\$3,428,101
MTRC Test Ratio	2.93	2.23
Gas Savings (Dth)	35,869	67,490
Budget*	\$235,367	\$481,500
MTRC Test Ratio	2.57	2.41

*Rebates only. While the anticipated expenditure impacts are forecasted, the Company acknowledges that this Notice does not change the filed budget.