
Response of the Colorado Energy Office to Public Service Company of Colorado’s 60-Day Notice on the Residential Heating & Cooling Product

The Colorado Energy Office (“CEO”) appreciates the opportunity to respond to Public Service Company of Colorado’s (“Public Service” or “the Company”) 60-Day Notice (“Notice”) on updates to its Residential Heating and Cooling Product in its Demand Side Management (“DSM”) Plan. Although Public Service proposes modifications to multiple technologies and aspects in its Heating and Cooling Product Notice, CEO’s comments here are in relation to heat pumps specifically.

CEO’s comments generally address two areas. First, CEO seeks clarification on the nature of the proposed changes. Second, CEO requests that the Company revise its notice to better distinguish between customer eligibility and claimed savings as these two concepts appear conflated by the proposed changes. CEO is concerned that the proposed revisions may unintentionally generate confusion among stakeholders and the broader energy efficiency community, ultimately harming customer and contractor interest in heat pumps.

Scope of Proposed Changes

Public Service’s Notice, which was filed on September 3, 2021, begins by stating: “The following 60-Day Notice summarizes Public Service Company of Colorado’s (the “Company”) action to update the technical assumptions and deemed savings in the Residential Heating and Cooling product, as well as, clarifying customer eligibility requirements.” The phrasing in particular of “clarifying customer eligibility requirements” appears to suggest that Public Service is solely revising the language explaining its policies, rather than proposing changes. This appears to be confirmed on the first page, which states, “The Company is also clarifying eligibility requirements for heat pump and boiler rebates.”

However, Public Service’s redline change appears to change or modify eligibility procedures for customer rebates relative to its current 2021-2022 DSM Plan. CEO recommends that Public Service provide additional clarification on whether it proposes material changes to eligibility or it is merely clarifying the current eligibility requirements. If the Company is proposing to change or modify eligibility procedures for customer rebates, CEO believes this is inconsistent with the intent of the settlement agreement approved in 20A-0287EG and warrants further discussion among stakeholders and parties to that proceeding. However, if the Company is attempting to only clarify the customer eligibility procedures, CEO

suggests that Public Service retain its current language because it is clearer than the proposed changes on heat pump eligibility in the Notice.

Distinction Needed Between Customer Eligibility and Utility Claimed Savings

CEO believes that Public Service's revision inaccurately conflates customer eligibility and claimed savings.

It is CEO's understanding that current and past customer eligibility for the Residential Heating and Cooling product is determined by what utility services, if any, a customer receives from Public Service and the specific energy efficiency measure. This is somewhat unique for heat pumps, which can provide both a heating and a cooling benefit. The Company's proposed language now appears to tie eligibility for heat pump incentives specifically to a heating fuel. If CEO correctly understands the intent of the 60 Day Notice, Public Service proposes to eliminate the ability to earn an incentive for cooling-only heat pump applications.

By contrast, whether a utility may claim savings attributed to the installation of a particular measure is determined by the energy or demand savings that result from the installation of a measure as they apply to relevant fuel sources. For example, a heat pump that provides cooling-only benefits results in different energy and demand savings than a heat pump that provides both heating and cooling benefits. Further, CEO understands that the Company cannot currently claim savings from energy or demand reductions attributable to a utility service that it does not currently provide under the current DSM regulatory framework. For example, the Company can only claim the incremental benefits in heating efficiency from a heat pump if the Company provides that heating fuel to the customer. CEO also understands that a forthcoming beneficial electrification plan or strategic issues proceeding, pursuant to Senate Bill 21-246, is likely to explore this topic further.

The ability to claim savings from one or both types of fuel sources (gas and electric) is also tied to the incentive amounts that Public Service provides. If Public Service feels it needs to revise its incentives to reflect whether a heat pump generates energy or demand savings for one or more fuels, CEO supports Public Service engaging stakeholders in these conversations and providing further revisions in a separate, subsequent Notice. CEO believes that Public Service can move forward with other changes in the Notice that are unrelated to heat pumps at this time. If additional time is needed to engage with stakeholders on heat pumps specifically, Public Service should not make these changes now, engage with stakeholders further, and revisit these proposed changes through a separate, subsequent Notice.

Proposed Next Steps

CEO recommends that Public Service first elaborate on whether it intends to modify eligibility or merely clarify current practice with its proposed changes. Second, CEO recommends Public Service further revise its Notice to better distinguish customer eligibility from how the utility will claim savings. If Public Service needs additional stakeholder feedback or conversations prior to finalizing measures for heat pumps, CEO recommends Public Service halt changes specific to heat pumps addressed in this current Notice to solicit such feedback.