

## ➤ Residential Heating & Cooling

### A. Description

The Residential Heating & Cooling product provides incentives to the Company's customers who purchase a variety of qualifying heating and cooling equipment for residential use, including air conditioners, evaporative coolers, heat pumps, natural gas furnaces, natural gas boilers, natural gas water heaters, electric heat pump water heaters, smart thermostats, and the Western Cooling Control device.

The Residential Heating & Cooling product combines offerings from several existing products – Evaporative Cooling, High Efficiency Air Conditioning, Residential Heating, Thermostat Optimization, and Water Heating. This new, holistic approach to residential customers' heating and cooling needs is designed to improve the experience for customers and trade partners, in order to improve participation, energy savings, and customer satisfaction. The smart thermostat offering can also assist customers in managing the timing of their energy usage, to assist customers in saving money on the Company's new Time of Use rates.

The Company is looking into ways to provide a more comprehensive experience for our residential customers that simplifies the process of installing capital intensive energy efficient equipment. This may include an end-to-end solution where the customer chooses from any, or all, of the following as applicable:

- Advice and analysis of the available equipment options
- Financing
- Enrollment in Demand Management products
- Assistance with choosing qualified contractors
- Enrollment in green programs and/or warranty services.

As part of our strategy to increase participation in demand response products, this product will be offering AC Rewards. Further details are provided in the technical assumptions.

More details regarding the specific types of equipment rebated in this product are provided below:

- **Standard AC or ASHP systems with Quality Installation ("QI")** - 13 to 14.99 Seasonal Energy Efficiency Ratio ("SEER") – Defined as new central Air Conditioning ("AC") or Air Source Heat Pump ("ASHP") systems with "matched" indoor and outdoor components, in new or existing homes. Approximately 75 – 80% of new AC systems purchased are in this efficiency range.

According to energy.gov, approximately 27% of the rated efficiency of a new system can be achieved through Quality QI. QI is a process, based on standards developed by the Air Conditioning Contractors of America ("ACCA") which contractors must follow to ensure that the total energy savings potential of newly installed equipment is realized. QI includes sealing all visible ducts, providing at least 400 cubic feet per minute ("CFM") of air flow per cooling ton, applying ACCA's Manual J (load calculation) and Manual S (equipment

sizing) standards to determine the right size and type of equipment for each customer's unique home, and charging the new system with refrigerant to within 3 degrees of the manufacturer's recommended sub-cool target temperature. Only participating trade partners who have a technician with Company approve certifications and/or licenses can offer this rebate.

- **High Efficiency AC or ASHP systems with Quality Installation** – Defined as new central Air Conditioning and Air Source Heat Pump systems with “matched” indoor and outdoor components, and with thermostatic expansion valves, in new or existing homes, that meet certain energy efficiency standards as outlined in Section G below, are eligible for a rebate. The intent of the rebate is to encourage consumers to purchase units that meet or exceed the high efficiency standard of at least a.) 15 SEER and 11.5 Energy Efficiency Ratio (“EER”) for air conditioners or b.) 15 SEER, 11.5 EER, and 9 HSPF for heat pumps. Trade partners who have met the AC or ASHP participation requirements can offer this rebate. To be eligible for a cold climate heat pump rebate, units must have an 18 SEER, 9.5 HSPF, and the heating BTU at 5 degrees Fahrenheit must be at least 70% of the heating BTU at 47 degrees Fahrenheit.
- **Evaporative Coolers** - Qualifying equipment must be new, permanently installed evaporative cooling units. Portable coolers or systems with vapor compression backup are not eligible, neither is used or reconditioned equipment.
- **Mini-Split Heat Pumps (“MSHP”)** – The mini-split heat pump equipment serves residential customers who either cannot install traditional split, central air conditioning systems, or have hard-to-heat/cool areas of their homes, or who simply prefer this technology. To be eligible to participate, residential electric customers must purchase and install a unit that has a rated efficiency of 15 SEER, 11 EER, and 9 Heating Seasonal Performance Factor (“HSPF”). Variable-speed systems which meet these requirements are eligible for a rebate. The unit must be used for cooling and heating purposes. There is not a QI component, and certification is not a requirement. Any trade partner can offer this rebate. To be eligible for a cold climate heat pump rebate, units must have an 18 SEER, 9.5 HSPF, and the heating BTU at 5 degrees Fahrenheit must be at least 70% of the heating BTU at 47 degrees Fahrenheit.
- **Ground Source Heat Pump with Quality Installation (“GSHP”)** – The Ground Source Heat Pump equipment measure serves a small market niche of consumers who seek out the most highly efficient technology. To be eligible to participate, residential electric customers must purchase and install a unit that is ENERGY STAR® certified. The ENERGY STAR® certified GSHP performance criteria are a minimum of 3.3 Coefficient of Performance (“COP”) and 14.1 EER. Equipment must be Air-Conditioning, Heating, and Refrigeration Institute (“AHRI”) performance-certified at standard rating conditions. Rebates will be given for GSHPs that are installed as closed loop systems and are used for both heating and cooling. Trade partners who are registered participating contractors for the AC rebates may offer this rebate.

- **Natural Gas Furnaces** – Furnace rebates are offered for a minimum furnace efficiency of 95% Annual Fuel Utilization Efficiency (“AFUE”). Equipment must be AHRI performance-certified at standard rating conditions.
- **Natural Gas Boilers** – Boiler rebates are offered for a minimum boiler efficiency of 95% AFUE. Equipment must be AHRI performance-certified at standard rating conditions. Higher rebates are available for boilers with a sidearm water heater.
- **Water Heaters** - The product is applicable only for the purchase of qualifying new natural gas standard storage tank water heaters, natural gas tankless water heaters or electric heat pump water heaters installed in new or replacement applications. Qualification for an incentive is a minimum efficiency of 0.64 Uniform Energy Factor (“UEF”) for medium draw standard tanks, 0.68 UEF high draw standard tanks, 0.87 UEF tankless natural gas water heaters. ENERGY STAR® electric heat pump water heaters also qualify for an incentive. In recognition of future demand response opportunities, heat pump water heaters that are CEA/ANSI enabled will receive a higher incentive. For natural gas water heaters, customers may choose their own independent residential water heating contractor or installer or install the unit themselves. Electric heat pump water heaters must be installed by a registered contractor.
- **Smart Thermostat** - The concept of realizing energy savings by programming a thermostat is straight-forward: scheduling temperature setting changes (setbacks) during times when home occupants are away or asleep ensures no energy is wasted when no one is home or awake. Thermostats meeting the ENERGY STAR® Connected Thermostat specification have demonstrated the ability to achieve energy savings through HVAC equipment runtime reductions, specifically an 8% or higher reduction in heating equipment runtime and a 10% or higher reduction for cooling equipment runtime.

These runtime reductions are achieved by smart thermostats through a variety of methods, starting with the ease of scheduling. These devices make it easier to program efficient setback schedules compared to their non-communicating predecessors.

In addition to ongoing product innovations by thermostat manufacturers, software firms have begun to provide additional optimization functionality that promises to proactively manage customer thermostats for deeper energy efficiency and demand management functionality without negatively impacting customer comfort.

- **Western Cooling Control** – The Western Cooling Control (“WCC”) device effectively increases the capacity of a central AC or ASHP unit by capturing cooling energy left in the refrigerant within, as well as the water condensed on, the cooling coil after a cooling cycle has completed. Many newer cooling units have built-in features that provide similar benefits to the WCC device; therefore, this measure is available only to customers with

units installed in 2009 or prior. There is not a QI component to this measure. Any trade partner can offer this rebate.

## **B. Forecasts, Participants & Budgets**

### Forecasts and Participants

Participation and energy savings levels for this product are based on 2018-2019 participation, as well as increased marketing efforts to the most cost-effective equipment within the product and working through trade partners and stakeholders to engage customer participation.

### Budgets

The budget forecast is based upon forecasted participation, and the majority of the budget is for direct customer incentives. For some equipment, contractors and/or retailers are also paid an incentive, to further encourage their support of these products. The budget also includes costs for verifying a percentage of the new equipment installations in the field to ensure they meet expected energy savings, including (where applicable) ACCA standards for quality installation; for advertising and marketing; and for other administrative expenses including labor and contractor training.

## **C. Application Process**

The typical sales cycle begins with a customer hiring a contractor, learning about energy efficient models, and purchasing and installing the unit. Following installation, the customer or trade partner submits a completed Company rebate application and equipment invoice. Invoices must reflect the same information provided on the application form, specifically the model number, serial number, installation address, and purchase date. Other information gathered on the application form includes the customer's account number, mailing address if different from installation address, customer signature, trade partner signature and information related to the equipment such as efficiency ratings, heating and cooling capacity, and size.

The Company is pursuing a more comprehensive rebate application form to minimize paperwork for the customer and trade partners while still collecting all of the information needed to thoroughly review and process the applications as quickly as possible. The Company's online application tool will remain available and will comply with these requirements. The Company may also offer "instant rebates" for certain types of equipment through various retail and wholesale distribution partners, including (but not limited to) an online, Company-branded marketplace.

All information requested on the rebate applications must be provided for the rebate process to be completed. Information needed on the invoice is specified on the back of each rebate application form; this information must be provided in order for the rebate process to be completed.

Equipment eligibility is determined by using the AHRI Directory of Certified Product Performance, the list of ENERGY STAR® Qualified Products on the ENERGY STAR® website, or on the list of qualified model numbers maintained by the Company and available on the

Company's web site, as specified on the rebate application for the particular type of equipment. Rebates are typically mailed within eight weeks.

The Company reviews each rebate application and verifies that all the required data has been provided and that all product requirements have been met. When corrections are needed to rebate applications, the Company sends a request to the contractor. Applications may be resubmitted. Customers applying for instant rebates enter information that is verified through a third-party vendor partner's software, which validates the customer's premise, type of service, and eligibility before the instant rebate coupon is generated.

## **D. Marketing Objectives & Strategies**

The Residential Heating & Cooling product seeks to increase awareness and the demand for a variety of heating and cooling products within the Company's service area, help customers and participating contractors offset costs associated with high efficiency equipment and quality installation practices, reduce customers' energy costs, meet customers' environmental goals (such as reducing carbon emissions), and increase their comfort. To support these goals, the Company plans to implement the following marketing strategies to increase product awareness:

- Use of the HVAC contractor community as the primary marketing channel. The Company's Channel Manager is responsible for conducting trade partner training, meetings, telephone calls, emails, and sending newsletters to keep the trade informed and engaged in the product. In addition, a qualified contractor list is available on the Company's website and participating contractors are expected to assist in promoting the product. The Company provides brochures for contractors to distribute to customers as well.
- Company marketing and advertising strategies will be used to create customer awareness. This may include, but is not limited to, e-mail, bill inserts, direct mail, bundled marketing campaigns, community newsletters, webinars, promotional booths at public events, radio and/or television advertising, sponsorships.
- The Company's website also includes information regarding the product and is updated as needed to more effectively reach customers. This includes information on product details, quality installation practices, and where to find qualified contractors. The site also hosts webpages designed specifically for contractors to obtain information about the product.
- When appropriate for a particular type of equipment, the Company will provide Point of Purchase displays at big box stores and appliance retailers.

## **E. Product-Specific Policies**

Contractors who do not comply with the product requirements and guidelines are not allowed to participate in the product. Requirements may include taking and passing Company-provided training classes, for the purpose of increasing the energy savings and/or increasing customer satisfaction with the rebate process.

These rebates are available to residential Xcel Energy account holders, with electric or natural gas service (depending on the type of equipment) provided by Xcel Energy. All equipment must be new and permanently installed. Used or reconditioned equipment is not eligible for a rebate.

For the following types of equipment, customers must have residential electric service with Xcel Energy: AC, ASHP, Electric Heat Pump Water Heaters replacing electric resistance water heater, Evaporative Coolers, MSHP, GSHP, and WCC.

For the following types of equipment, customers must have residential natural gas service with Xcel Energy: Natural Gas Furnaces, Natural Gas Boilers, Natural Gas Water Heaters.

For participants who are replacing natural gas water heating equipment with a heat pump water heater, the customer must have residential electric and natural gas service with Xcel Energy.

To be eligible for the Smart Thermostat offering, participants must be a residential customer of the Company. For customers with electric service, participants must have central air conditioning; for gas-only customers, participants must have central gas heating. Customers with electric and gas service must have central air conditioning and/or central gas heating.

To be eligible for Standard AC or ASHP equipment with QI or High-efficiency AC/ASHP equipment with QI rebates:

- The customer must use a registered contractor for the installation of the new system and who annually pass required online classes. These contractors have agreed to the terms of the product and meet the requirements related to quality installation practices. A list of registered contractors can be found on the Xcel Energy website.
- The “matched system” must be listed in AHRI’s Residential Directory. This directory is used to identify product classification, determine efficiency ratings, and confirm matched systems.
- In order to verify that the equipment has been properly installed, the equipment must be installed and tested as specified in the Xcel Energy QI guidelines based on ACCA standards. The equipment installation and testing for QI must be completed before the rebate application is submitted for processing by the Company.
- The use of a furnace’s variable speed fan to increase the SEER rating above the nominal rating is allowed for determining rebate eligibility, provided that the overall furnace and

air conditioning combination rating can be found in the AHRI's Residential Directory ([www.ahridirectory.org](http://www.ahridirectory.org)). The furnace does not have to be new, in order to use it for an increased efficiency rating. The homeowner or contractor must supply the furnace model number and serial number on the application and invoice.

To be eligible for a Mini-Split Heat Pump rebate, the unit must be used for cooling and heating purposes; therefore, mini-split air conditioners (cooling only units) do not qualify. The AHRI certificate must be in the residential category of "Variable-speed Mini-Split and Multi-Split Heat Pumps." Multiple head mini-split systems qualify.

To be eligible for the WCC device rebate, the existing furnace must have been installed in 2009 or prior.

To be eligible for an evaporative cooler rebate, qualifying equipment must be a permanently installed direct, indirect, or two-stage evaporative cooling unit. Customers can replace an existing evaporative cooler or central AC system, or purchase a first-time installed evaporative cooling unit, to qualify for a rebate.

There are three equipment tiers available for evaporative coolers:

- Standard Evaporative Coolers: Qualifying evaporative cooling units with airflow output of 2,500 CFM or greater.
- Premium Evaporative Coolers: Qualifying evaporative cooling units with media saturation effectiveness of 85% or greater. The units must be manufactured with remote thermostat control and periodic purge water control (e.g. purge pump) or have these two items purchased and included on an invoice.
- Multi-Ducted Evaporative Coolers: In addition to 85% saturation effectiveness, remote thermostat control and periodic purge water control, qualifying evaporative cooling units must be indirect/directly cooling the whole house with a minimum of three supply ducts installed, and at least one of the supply ducts must be newly installed along with the new cooler.

To be eligible for a natural gas storage water heater rebate, the storage tank must be no larger than 55 gallons.

To be eligible for a 95% AFUE natural gas furnace rebate, an AHRI certificate must be available.

To be eligible for a 95% AFUE natural gas boiler rebate, an AHRI certificate must be available.

To be eligible for a heat pump water heater rebate, the customer must use a registered contractor for the installation of the new system. These contractors have agreed to the terms of the product.

A list of registered contractors can be found on the Xcel Energy website. To be eligible for the higher rebate for a "grid-enabled" water heater, the customer must purchase and install a water heater eligible to participate in the Company's demand management products for water heaters.

The Company maintains a list of eligible model numbers, which is available on the Company's web site.

To be eligible for a smart thermostat rebate, the customer must install a thermostat which meets the ENERGY STAR® Connected Thermostat standard and which is eligible to participate in the Company's demand management products for smart thermostats, AC Rewards. The Company maintains a list of eligible model numbers, which is available on the Company's web site.

## **F. Stakeholder Involvement**

The Company considers its stakeholders for the Residential Heating and Cooling product to be contractors, distributors, manufacturers, retailers, SWEEP, EEBC, CEO, local municipalities within the service area, and other environmental organizations. Stakeholders are able to share their product suggestions during the Company's quarterly DSM Roundtable Meetings. In addition, the Company is a member of the CEE, and monitors its initiatives related to residential heating and cooling equipment.

## **G. Rebates & Incentives**

Rebates are payable to residential account holders with electric or natural gas service (depending on the type of equipment), or to an alternate rebate recipient of their choosing. All types of equipment must meet all requirements to receive the rebate. For rebates which are based upon multiple measures of efficiency, the rebate is paid according to the lesser value of the technical requirements of the various measures, including SEER, EER, HSPF, and COP. The rebate amount shall not exceed the purchase price.

For certain types of equipment, the Company will also pay incentives associated with customer rebates to participating, registered contractors or retailers in good standing.

Homeowners may receive the equipment rebate directly or may provide written permission for the rebate to be paid directly to the contractor or to another designated alternate rebate recipient. Builders, as the original purchaser of equipment, are eligible to receive an equipment rebate; however, the rebate will only be issued once so builders should coordinate with the homeowners as to who will receive the rebate. Contractor incentives are paid to the contractor company at the same time that the associated rebate is paid to the account holder or alternate rebate recipient. Retailer incentives are paid on a quarterly basis.

Customers, contractors, or retailers who receive an incentive through another DSM product (e.g., Whole Home Efficiency or ENERGY STAR® New Homes) for the same equipment are not eligible to receive a rebate through this product. By accepting a rebate, the customer agrees to reasonably accommodate M&V consultants.

## ➤ **Business HVAC+R Systems**

### **A. Description**

The Business Heating, Ventilation, Air Conditioning, and Refrigeration (“HVAC+R”) Systems product combines Heating Efficiency, Cooling Efficiency, and Motors, Drives and Pumps, and C&I Refrigeration measures into an integrated demand-side management product. The Business HVAC+R Systems product encourages Public Service gas and electric business customers to consider high-efficiency options when choosing to replace existing mechanical systems. The Business HVAC+R Systems product will focus on customer needs which will drive deeper penetration of energy efficiency measures and provide opportunities to integrate demand management and load management strategies.

The product offers a broad range of prescriptive rebates and midstream incentives for high-efficiency equipment options. The product will leverage the custom measure to evaluate demand management opportunities. Such projects are evaluated under the Custom Efficiency analysis and must follow the rules of the Custom Efficiency product.

Prescriptive participants receive rebates to help buy down the initial capital cost and shorten the payback period. The new equipment also provides better reliability and lower maintenance costs, as well as lower utility bills via energy savings. The Company currently follows the guidelines of the International Energy Conservation Code (“IECC”) 2018 for equipment definitions, standard formulas, and minimum recommended efficiencies. These sources, along with Public Service’s historical experience, allowed the Company to develop influential prescriptive rebates that encourage the most efficient choice of equipment in the majority of equipment categories.

Midstream measures under this product are designed to deliver incentives to market actors who sell qualifying high-efficiency HVAC equipment by increasing stocking levels and upselling. The Midstream measures are designed to adapt to market changes, and the Company will continue working with relevant industry players to enhance the product to include new midstream incentives for equipment.

### **B. Forecasts, Participants & Budgets**

#### Forecasts and Participants

Forecasts are based on the achievements of past years, estimates of market penetration, and a review of potential cooling, heating, motors and drives, and refrigeration technology efficiency improvements.

Participation was derived from prior years’ (2020 and 2021) performance. Additional factors included feedback from trade partners, product participation trends, average project size, and historical participation.

## Budgets

Historical cost and participation information was analyzed to project expenditures. External resources and discussions with local stakeholders were used to ascertain expenditures and market equipment cost. Comparative spending analysis of past-year activity is generally conducted but is not the determining factor, since other external variables like promotions, materials, and staffing influence future costs. The Business HVAC+R Systems product will have an integrated budget.

Rebates, incentives, labor, and promotions influence the budget:

- *Rebates:* Developed using the average project rebate cost from the detailed technical assumptions, multiplied by anticipated participation levels.
- *Administration:* Determined by estimating the number of full-time employees needed to manage the product and execute the marketing strategy and rebate process, including Account Management and BSC support.
- *Promotions:* The estimated promotional budget anticipates several customer and trade partner communications and events during the year.

For the midstream offering, external resources and discussions with local stakeholders are leveraged to establish the market potential for HVAC equipment. Incentives and third-party implementer costs influence the budget:

- *Incentives:* Midstream incentives to participating distributors influence the sale of high-efficiency products to contractors, thereby increasing the availability of these products for customers in the marketplace.
- *Administration:* A third-party implementer will facilitate recruiting and management of distributors, design and management of the web-based paperless rebate application, and process individual applications. Internal administration and advertising costs are minimal; Account Management and BSC budgets are not required. Rebate Operations costs are minimal.

## **C. Application Process**

### *Prescriptive Measures:*

Online and paper applications for the product are available on Xcel Energy's website.<sup>25</sup> Customers may apply for rebates by completing an application and providing a detailed purchase invoice for the newly installed equipment. The equipment must be new and meet all the qualifications detailed in the online application. After the customer has installed the equipment, the online application and invoice must be submitted to Public Service within 24 months of the invoice date. Once the online application is processed, rebate checks will be mailed to the customer, or alternate recipient, as indicated on the application, within six to eight weeks.

### *Midstream Incentive:*

A critical component of the midstream measure is its use of a web-based paperless application for participating distributors. A paperless system is critical for ease of participation and for reducing the cost per kWh saved. Incentives will be paid to participating distributors on a bi-weekly basis.

<sup>25</sup>[https://www.xcelenergy.com/programs\\_and\\_rebates/business\\_programs\\_and\\_rebates/equipment\\_rebates](https://www.xcelenergy.com/programs_and_rebates/business_programs_and_rebates/equipment_rebates)

The distributor must submit the following information into an online application in order to receive the incentive:

**Qualifying Equipment Information:**

1. Manufacturer
2. Model
3. Number of units installed
4. Unit Serial numbers

**Installation Site Information:**

5. Business name and address where the equipment is to be installed
6. Contact information (customer, or contractor, or installer)

**Sales Information:**

7. Invoice number and date

## **D. Marketing Objectives & Strategies**

The Business HVAC+R Systems product creates a base level of knowledge in the marketplace through newsletters and direct communications to customers and trade allies. These tactics make customers aware of the key benefits of energy efficiency and its applicability to Business HVAC+R Systems and gives the trade a platform from which to educate customers on high-efficiency solutions for their particular applications. The product provides literature and tools for the customers and trade to evaluate rebates and incorporate them into purchase decisions. In addition, customers are served by Public Service's Account Managers and BSC who educate them on energy efficiency, evaluating rebate potential, and the rebate application process. The trade can find similar assistance through the Trade Relations Manager. The Business HVAC+R Systems product also benefits from opportunities identified for participants via the Company's Business Energy Assessments product.

Marketing communications will revolve around the benefits of energy efficiency through paybacks, lifecycle costs, and environmental benefits. Newer equipment is typically more efficient, more reliable and may have more effective controls than an older system providing both energy and non-energy benefits to the end user. Public Service uses generally-accepted information from sources such as ENERGY STAR<sup>®</sup>, the American Society of Heating, Refrigeration and Air-conditioning Engineers ("ASHRAE"), the Federal Energy Management Program ("FEMP"), and others to educate customers on no- and low-cost ways to save energy, such as performing regularly scheduled maintenance and simple tune-up tips to ensure systems are operating optimally.

## **E. Product-Specific Policies**

The product does not rebate back-up equipment or portable equipment. Qualifying equipment must be new and permanently installed at the end-use customer.

VFDs must automatically control the speed of existing or new motors.

*Gas Transport Only* customers cannot participate in rebates for the heating efficiency measures.

Participating customers must be a business retail natural gas, electric, or a combination electric and gas customer of Public Service Company of Colorado.

*Qualifying Midstream Distributors:* A qualifying distributor is an entity that purchases qualifying equipment directly from the manufacturer and sells such equipment to be installed at a qualifying customer's facility. A vendor who purchases equipment from a distributor does not qualify. Under certain circumstances, a manufacturer and/or a manufacturer's representative may serve as its own distributor and sell directly to the end-use customer. In this case, the manufacturer/distributor can qualify.

Applications for rebates must be submitted within 24 months of invoice date.

## **F. Stakeholder Involvement**

Because HVAC+R Systems can be very complex, trade partner relationships are imperative to achieving the product's energy savings and participation forecasts. The Company has engaged trade allies in product design and improvement through focused trainings and outreach events. Members include manufacturer's representatives, and equipment contractors. The Company targets distributors for several reasons, including:

1. Distributors control equipment stocking and sales.
2. Influence contractors' purchase decisions which influence customer purchases.
3. Minimize downstream markups and lost opportunities.
4. Fewer market actors enable lower implementation costs.
5. Meets customer's demand for immediate replacement.
6. Distributors influence majority of equipment sales.
7. Most qualified sales staff with financial, technical, and sales skills.

The product will explore adding additional measures for contractors as a part of the midstream offering. Trade Partners have constant interaction with Business HVAC+R Systems during installation and maintenance services. This puts them in a unique position to identify potential system improvements and ensure quality throughout the system.

## **G. Rebates & Incentives**

Generally, Public Service has set the minimum qualifying efficiency at a point that nominally exceeds the IECC 2018 minimum efficiency requirements to encourage customers to purchase the most efficient equipment, while ensuring that manufacturers have equipment that meets the criteria of the product.

The proposed rebate level averages approximately 60% of the incremental cost. This level balances the cost-effectiveness of the product with the incentive needed to motivate the customer to purchase efficient equipment, achieving a payback of less than five years in most cases. Rebates are designed to buy down the incremental cost of purchasing efficient equipment, which is increasing with the stricter code requirements in the market.

The midstream approach provides distributor incentives based on the size of the unit in tons.