

MEMORANDUM



Date: May 16, 2024

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CC: Leanne Hoadly, CPUC

From: Peter Biermayer P.E., Utilities Engineer,
EE Planning & Forecasting Section,
Energy Division, CPUC

Subject: Revised CPUC Guidance Requiring an Addendum to Measure Package Documenting Rebate Greater than Incremental Measure Cost.

Introduction

When the rebate to the customer exceeds the Incremental Measure Cost (IMC) the net participant cost in the denominator of the Total Resource Cost (TRC) test is negative.¹ This can cause a very small (or even negative) denominator leading to an inflated (and sometimes negative) TRC ratio. In Decision D.06-06-063² Energy Division (ED) recognized only “limited instances for program design purposes where the cash rebate to the customer exceeds the measure installation cost”.

One reason for a rebate larger than the IMC could be that the measure cost is less than the baseline equipment but the measure still has low market penetration. Other reasons could be particularly large market barriers or support of California policy calling for faster market transformation. In such instances, program administrators (PAs) and/or third-parties are required to provide additional information as part of the measure package. This will include:

- Standard language in the body of the measure packages
- In the instances where the rebate exceeds the IMC, PAs will outline the reasons for such rebate. Since each PA program may have different rebates, they will need to provide a separate addendum. If the program is third-party implemented, an addendum will be required for each instance.

Based on CPUC Decision 06-06-063, the Energy Efficiency Policy Manual³ states that justification is to be provided to CPUC staff for review and approval when rebates are expected to be higher than the incremental measure costs. Below we provide guidance for program administrators to provide this justification to CPUC staff for review.

Applicability

All measure packages.

1 The additional cost of installing a more efficient measure calculated from the price differential between energy efficient equipment and services and standard or baseline equipment or services. Note that any cost premium resulting from features or components that do not improve the efficiency of the equipment is excluded from the incremental measure cost calculation.

2 D.06-06-063, p. 72 “We recognize that there may be limited instances for program design purposes where the cash rebate to the customer exceeds the measure installation cost.” [Microsoft Word - 57756.DOC \(ca.gov\)](#)

3 Energy Efficiency Policy Manual, version 6, p.26 “However, if deployment of the program requires rebates or financial incentives to participants that exceed the measure cost, then the program may pass the TRC test, but fail the PAC test. Incentives or rebates that exceed the TRC cost for a measure must be justified in workpaper submissions that are approved by CPUC Staff.” [6442465683-eepolicymanualrevised-march-20-2020-b.pdf \(ca.gov\)](#)

Required Documentation

1. Add a subsection to the body of a measure package document beneath the **Program Requirements** header titled *Rebate Requirements* and add the following text:

Program Requirements

Rebate Requirements

Deployment of the program may require rebates or financial incentives to participants that exceed the incremental measure cost (IMC). Rebates that exceed the incremental cost for a measure must be justified by individual PAs and/or third-party implemented programs as applicable and for each instance in addendum to measure package submissions to document program implementation practice prior to program implementation.

2. Addendum providing reasoning for cash rebates that exceed the IMC, attached below.

Timing of Addendum Submission

Any time a new program, measure, or offering is launched, and the program rebates exceed the IMC.

Posting of Addendum Submission

Addendum must be submitted to the applicable eTRM measure log with an entry stating, “Addendum to Measure Package Documenting Rebate Greater than Incremental Measure Cost”. For access to the measure log please contact the lead program administrator for the applicable measure.

Staff review/approval:

The addendum is intended to document activities at this stage. Staff reserves the right to request clarification.

ADDENDUM TO MEASURE PACKAGE DOCUMENTING REBATE GREATER THAN IMC

This addendum is required for statewide measure packages where individual Program Administrators (PAs) and/or third-parties are seeking to offer a rebate higher than the Incremental Measure Cost (IMC).

Measure package Information:

Measure name and Statewide measure ID	
Measure package submission date	
PA Submitting Addendum	

Measure package Measure Cost Information:

Measure ID	Baseline Technology	Measure Technology	Baseline Cost (\$)	Measure Cost (\$)	Incremental Measure Cost (\$)	Rebate Amount (\$)

Reason for a rebate that exceeds the IMC of a measure to a participant:

[indicate any of the following if:

1. the measure cost is less than the baseline cost, $IMC \leq 0$
2. the operating cost of the measure is greater than the baseline measure
3. market barriers require a larger rebate than the IMC and how the amount was determined.]

Addendum Revision History

Revision Number	Revision Date	Implementation Start Date	Author	Summary of Changes
0	5/18/2020	5/18/2020	Kerri-Ann Richard, Deemed Measure Package Review Team	Original document “Addendum to Fuel Substitution Workpaper Documenting Incentive Greater than Incremental Measure Cost” was submitted to the WPA as part of the Measure package Templates document dated 5/18/2020.
1	3/31/2022	3/31/2022	Kerri-Ann Richard, Deemed Measure Package Review Team	<ul style="list-style-type: none"> • Update to include eligibility of all measures. • Update to change the term workpaper to measure package. • Update title of document “Addendum to Measure Package Documenting Incentive Greater than Incremental Measure Cost”. • Added directions for posting addendum to the measure log for referenced measure package. • Added third party to Incentive Requirements narrative. • Removed PA contact information.

2	11/2/2023	3/31/2022	Jennifer McWilliams, Deemed Measure Package Review Team	<ul style="list-style-type: none"> • Corrected CPUC Decision reference • Removed “incentive” and replaced with “rebate” consistent with CPUC Decision language. • Added more background to indicate why it is important that the rebate not exceed the IMC in the cost effectiveness context. • Update title of document “Addendum to Measure Package Documenting Rebate Greater than Incremental Measure Cost”.
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