



State of California

M e m o r a n d u m

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Subject: NEW CONSTRUCTION MEASURE APPLICATION TYPE DEFINITION AND BEST PRACTICES

Summary

A New Construction (NC) Measure Application Type (MAT) should be used if the building is a new building or if a major renovation or expansion increases the building footprint or energy consumption by 30% or more.

Background:

This guidance document clarifies the definition of new construction for deemed measure application types (MATs) for use in programs and EE incentives or rebates. Recently there has been discussion between the CPUC and Program Administrators (PAs) about what qualifies as new construction vs normal replacement MATs. This guidance document will clarify the new construction definition and provide consistent alignment of the MATs across the deemed measure package portfolio.

New Construction (NC):

Resolution E-4818 references the Track 1 Working Group Report as directed by Decision 16-08-019 to define the new construction alteration type, which expands on the established use of a code baseline. The working group also addressed other directives per D.16-08-019, however this guidance document is specific to the language defining new construction definitions and baseline differences based on the MATs.

Resolution E-4818 provides the below table to summarize the conditions that qualify a project as New Construction:

The new construction alteration type includes new equipment that has been installed in any one of the following:

- a) New building projects wherein no structure or site footprint presently exists
- b) Addition or substantial expansion of an existing building or site footprint [by 30% or greater]
- c) Expansion or addition of substantial load to an existing facility [by 30% or greater]

All new construction projects use a Code baseline.¹

The definition of the new construction alteration type is confirmed by the Track 1 Working Group Report, which defines the New Construction category to include new equipment that has been installed in any of three scenarios:

- a) New building projects wherein no structure or site footprint presently exists
- b) Addition or expansion of an existing building or site footprint [by 30% or greater]
- c) Equipment installed to change the capacity of existing systems due to changes in new load handling requirements [by 30% or greater].²

The Track 1 Working Group Report clarifies that both tenant improvement renovation projects and industrial process expansion projects have nuanced details that abide by the above new construction definition. If a tenant improvement project renovates an existing space while maintaining the existing occupancy and space use, the installation type is not treated as new construction for the purposes of baseline assignment.³ CPUC staff interprets this requirement as a change in space use or existing occupancy to classify as New Construction.

Additionally, industrial process expansion improvements where a plant produces additional product as reduced electric or thermal load is not considered new construction and the demonstrated savings would be eligible for early replacement [accelerated replacement] consideration. Decision D.16-08-019 focuses on facility load, and not production efficiency. Given this direction, a plant that increased efficiency of production by 10%, but also increased the number of units produced by 10%, would not result in any savings.

The CPUC adopts a general example of 30% to quantify as ‘substantial’ when thinking about substantial expansion or the addition of substantial load to qualify as new construction MATs. This treatment of the new construction definition should be aligned in measure package narratives, permutations, and programs. The reason for clarifying the definition and what constitutes a substantial expansion in footprint or load, is the new construction MAT should be closely aligned with requirements that would constitute a ‘New’ building vintage modeled or calculated building shell.

¹ Resolution E-4818, pg. 15

² T1WG Report, Appendix C, Section 2: New Construction

³ T1WG Report, Appendix C, Section 3: Tenant Improvement

Additionally, the example of 30% to quantify substantial change in design occupancy was validated by CPUC staff and the Track 1 Working Group Report.⁴ This value, as a general example, should be considered when deciding if a non-replacement or addition/expansion project should be claimed as New Construction or Normal Replacement.

Normal Replacement (NR):

To aid in the treatment of new construction measure package narratives, permutations, and programs, it is important to clarify the definition of normal replacement. Resolution E-4818 adopts the normal replacement definition as written in the POE Guidance Document, Page 8 & Section 2.2.2⁵:

The normal replacement (NR) category includes measure installations where the existing equipment is non-functional or still functional and the available evidence does not support a determination of program-induced early retirement. This type of normal replacement is also referred to as normal/natural turnover. Normal replacement also applies when the new or replacement equipment has been installed due to normal remodeling or upgrading or replacement activities which are expected and undertaken in the normal course of business or ownership.

A key aspect of this definition is the application of a normal replacement MAT when the new equipment has been installed due to normal remodeling or upgrading which are expected and undertaken in the normal course of business or ownership. A non-replacement project (i.e. adding a new high efficient air cleaner in non-replacement scenario) does not on its own qualify as a new construction MAT claim or permutation offering.

Table 1, below, differentiates the NC and NR scenarios including their respective building vintage value for permutations producing energy savings values.

Table 1. NC and NR use cases and respective vintages

Installation Scenario	MAT and Vintage
Replacing existing equipment in existing building	NR and Ex
Installing equipment where one was not installed previously (i.e. non-replacement project) Example: installing a room air cleaner where one was not previously	NR and Ex
Installing equipment in an alteration or expansion project that increases load and building footprint by less than 30%	NR and Ex
Installing equipment in an alteration or expansion project that increases load and building footprint by less than 30%	NR and Ex
Greenfield new construction project	NC and New
Installing equipment in an alteration or expansion project that increases footprint or load by 30% or more	NC and New
Installing equipment in an alteration or expansion project that increases load by 30% or more and does not increase the building footprint	NC and New

Effective

While this guidance document does not have an effective date, ongoing measure package permutations and eligibility review will review MATs in accordance with the above definitions. The Ex Ante Review Team may have comments on measure package submissions to ask for more information if there is ambiguity between the MATs listed in a measure package. Measure package developers should consult with program implementers and/or PAs or investor owned utilities (IOUs) on an as needed basis to respond to questions from the Ex Ante Review Team. Lastly, it is expected that these definitions will be part of future program design and implementation plans.

⁴ T1WG Report, Appendix A, Section 2.2: Existing Baseline

⁵ Resolution E-4818, pg. 29

