



Review, Discussion and Possible Action Regarding California Energy Commission Proposed Rulemaking on HVAC Equipment Data Reporting

The following was provided by the California Energy Commission (CEC).

- Long-recognized that CEC and CSLB have joint interest and nexus of responsibility to assure that contractors and unlicensed persons pull building permits and comply with Energy Code requirements for quality installation of HVAC equipment.
 - Responsible contractor practices and consumer protection to ensure that retrofits meet standards and reduce energy savings lost or forgone due to poor-quality workmanship.
 - Avoid underground economy and unfair business practices that place pressure on licensed contractors to fail to meet Contractors State License Law.
 - Collaboration first directed in Governor Schwarzenegger's Executive Order S-20-04 and in SB 350 (2015) and SB 1414 (2016).
 - Registrar David Fogt co-chaired with Commissioner McAllister CEC's 2021 Integrated Energy Planning Report workshop on HVAC quality installation and joint CEC-CSLB actions to address problems.
 - AB 1747 (2022) authorized CSLB to assess highest fine of \$30,000 for willful or deliberate disregard and violation of any state or local law related to the issuance of building permits.
- Market failure
 - Estimated less than 10 percent of retrofits of residential HVAC projects pull building permits and comply with Energy Code quality installation requirements.
 - Improvement is stymied by no data available regarding the sales of HVAC to licensed contractors and unlicensed persons that can be checked against permits pulled.
- Urgency of action
 - California's affordability challenges are partially driven by rising energy costs.
 - Energy Code measures are designed to provide energy and cost savings to building owners and renters but are dependent on high quality installs from appropriately licensed contractors.
 - CEC has limited ability to monitor compliance and associated benefits of energy code projects in the absence of permits.
 - CEC is currently prioritizing efforts on a number of fronts to improve Energy Code compliance, including a proposed restructuring to simplify code



- language, increased coordination with local enforcement agencies, improvements to field verification practices, and pursuing a Compliance Rate Study to fill information gaps in compliance/energy performance for different project and building types
- CEC is conducting a rulemaking proceeding to obtain data regarding sales of HVAC and water heater equipment so CEC, CSLB, and local building departments have the ability to take action to overcome this market failure by identifying contractors and unlicensed persons that are routinely failing to pull permits
 - CEC is seeking support from CSLB for this HVAC equipment data reporting rulemaking, and for CSLB's collaboration once the data is available to identify and investigate licensed contractors and unlicensed persons who may be violating Contractors State License Law.

Staff Recommended Motion:

Support the California Energy Commission (CEC) in its rulemaking to require the reporting of HVAC equipment sales to both licensed contractors and unlicensed persons. Refer this matter to the Enforcement Committee to evaluate the resource needs required to use CEC collected data to investigate potential violations of the Contractors State License Law, including failure to obtain required building permits and failure to comply with the Energy Code.