

**From:** [Eilert, Patrick L](#)  
**To:** [Hunt, Marshall](#); [Anderson, Mary](#)  
**Subject:** Gas Furnace Issues and Implications  
**Date:** Sunday, October 18, 2015 2:00:22 PM

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Please review and comment...

Apologies in advance for the errors. I am sending this without review.

I may not copy you when I send this, since it may come back to "bite me."

Jan/Karen:

Federal standards for gas furnaces pre-date the fall of the Berlin wall. DOE's analysis shows that condensing furnaces are cost effective across all size ranges. PG&E's C&S team has verified that condensing furnaces are cost effective and feasible for California.

Most of AGA members are not decoupled so it's not surprising that their position differs from PG&E. The State of California, the CPUC, and the CEC have a much stronger emphasis on energy efficiency, demand response, and renewables than any other state in the nation.

For at the last 15 years, PG&E has supported strong standards for gas efficiency during state and federal proceedings. Our role has been to advocate with the expectation that DOE and CEC mediate between industry and advocates. Public proceedings are rigorous and, more often than not, they produce standards that are weaker than could be adopted based on cost effectiveness analyses.

PG&E has been one of a few utilities that provides an industry backstop to national advocates such as ACEEE and NRDC. During our conversation with Nick last week, I think I heard him say that he expects PG&E to harmonize its position with AGA on furnaces and future standards. If so, there are a number of consequences.

At a corporate level, abandoning our leadership in gas efficiency is a huge shift for PG&E that damages our brands. This is in conflict with PG&E's advertisements about PG&E helping customer save energy and innovate in energy efficiency. This shift in position will not go unnoticed.

Aligning ourselves with AGA will damage our standing with the CEC, which leads codes and standards for the State. The Warren Alquist Act mandates our support and PG&E has traditionally supported the CEC's position on federal standards.

§ 25402.7. Utility support for building standards (a) In consultation with the commission, electric and gas utilities shall provide support for building standards and other regulations pursuant to Section 25402 [bldg stds] and subdivision (b) of Section 25553 including

appropriate research, development, and training to implement those standards and other regulations.

Abandoning C&S leadership will damage our relationship with CPUC. For example, CPUC staff has expressed concern with SCG's position's on gas efficiency codes and standards during the last year, which are viewed as being aligned with AGA. The C&S Program has long been viewed as the primary means of achieving state policy goals.

D. 12-05-015. The Staff Proposal calls for "a redesign of the statewide codes and standards program," placing it in "a central strategic position within the IOU energy efficiency portfolio."

EEl raises the important point that HP efficiencies have gone up while furnaces have not which creates a fuel switching (electric to gas) issue that DOE is not analyzing. Should we broaden the conversation internally?

Gas efficiency is important to our customers, in particular, low income. Raising the cut-off for condensing furnaces to 65 or 70 kBtuh means that multi-family and low income customers more generally will continue to pay high utility costs since smaller furnaces will continue to be subject to equipment standards set more than 30 years ago. Greater seasonal variation in bills due to inefficient furnaces will have a detrimental impact on customer satisfaction.

Given the CEC's definition of ZNE, which is based on time dependent valuation of gas and electricity at the site, low efficiency furnaces will translate to larger rooftop PV systems required to offset gas usage. More generally, achieving in ZNE across the state will be more difficult.

Efficient use of natural gas is an important part of achieving California's climate goals, and federal standards preempt CA from setting its own standards. If the DOE does not set good standards now, it could be a long time before DOE tries again, which will have detrimental impact on GHG reduction goals. If PG&E does not support state policy goals, we will not be viewed as good EE portfolio administrators.

Failure to increase program baselines for EE programs potentially weakens our position as administrators compared to increasing baselines for gas appliances. More generally, the long view of EE administration compels us to achieve regulatory requirements and customer satisfaction improvement opportunities at least-cost and least rate-impact. It is best for PG&E and its customers to pursue the least-cost approach even if it puts us at odds with industry.

The alternative to viewing ourselves as outliers is that we are leaders. Perhaps we should could make a concerted effort to recruit allies.

Thank you.

Pat Eilert

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