

From: [Eilert, Patrick L](#)
To: [Stavropoulos, Nickolas](#); [Berman, Janice S](#); [Hunt, Marshall](#)
Cc: [Lavinson, Melissa A](#); [Miller, Matthew](#); [Johnson, Aaron](#); [Morris, Shari L](#); [Zelmar, Karen](#)
Subject: RE: AGA Executive Committee Meeting Briefing Memo & Materials
Date: Monday, July 27, 2015 9:54:33 AM

Shari:

Please include Marshall too.

Pat

From: Stavropoulos, Nickolas
Sent: Monday, July 27, 2015 9:49 AM
To: Berman, Janice S; Eilert, Patrick L
Cc: Lavinson, Melissa A; Miller, Matthew; Johnson, Aaron; Morris, Shari L
Subject: RE: AGA Executive Committee Meeting Briefing Memo & Materials

Hi Jan and Patrick,

See notes below and the position summary at the end of this email chain prepared by Matt Miller about rules relating to residential furnaces. I'd like a briefing to better understand our position on this issue which is in opposition to that of most of the US gas industry. Please work with Shari to schedule 30 minutes with me sooner than later. I'm seeking to understand our logic.

Best, Nick

From: Lavinson, Melissa A
Sent: Monday, July 27, 2015 8:32 AM
To: Stavropoulos, Nickolas; Miller, Matthew
Cc: Simon, John R.; Burt, Helen; Soto Jr., Jesus; Howe, James; Giammona, Laurie; Howe, James; Morris, Shari L; Johns, Christopher
Subject: RE: AGA Executive Committee Meeting Briefing Memo & Materials

Nick,

We have worked with Jan Berman, Patrick Eilert and team on the issue. My understanding is that they have worked closely with folks within PG&E as well as with the California Energy Commission, among others, on conducting analytic and technical work in conjunction with the furnace standards rulemaking process. Hope this helps.

Melissa

From: Stavropoulos, Nickolas
Sent: Monday, July 27, 2015 10:51 AM
To: Miller, Matthew
Cc: Simon, John R.; Burt, Helen; Soto Jr., Jesus; Lavinson, Melissa A; Howe, James; Giammona, Laurie; Howe, James; Morris, Shari L; Johns, Christopher
Subject: RE: AGA Executive Committee Meeting Briefing Memo & Materials

Thank you, Matt.

I'd like to better understand our position about the rules relating to residential furnaces. I'm seeking to better understand our logic. I'm not sure if our position is based upon facts or a desire to be supportive to the energy efficiency community. Who should I reach out to in our energy efficiency organization?

Best, Nick

From: Miller, Matthew
Sent: Wednesday, July 22, 2015 2:14 PM
To: Johns, Christopher
Cc: Simon, John R.; Burt, Helen; Stavropoulos, Nickolas; Soto Jr., Jesus; Lavinson, Melissa A; Howe, James; Stowe, Derick; Disse, Geri
Subject: AGA Executive Committee Meeting Briefing Memo & Materials

Chris -

In preparation for your visit to Santa Fe next week for the AGA Executive Committee meeting, please find attached:

- A prep memo for the AGA Executive Committee meeting;
- PG&E Comment Letter to the U.S. Department of Energy regarding Residential Furnaces; and
- AGA Executive Committee meeting "Draft" Agenda.

In advance of the Executive Committee meeting, please do not hesitate to call us if you have any questions on the materials provided or would like additional information.

Have a safe trip to New Mexico.

Thank you,

-Matt

Residential Furnaces – U.S. Department of Energy:

Background: Building off recent board discussions, in which AGA provided an overview of the proposed rule for natural gas furnaces and noted that AGA will engage in a legislative and regulatory strategy, AGA recently filed comments in response to the U.S. Department of Energy (DOE) proposed rule on energy efficiency standards for natural gas furnaces.

In general, AGA believes the furnace rule is flawed. Moreover, AGA is supportive of federal legislation that would suspend the DOE rulemaking process and require that a group of stakeholders study the standard and work on a negotiated rulemaking. This legislative approach is not supported by PG&E and the broader energy efficiency community. AGA is currently working with furnace stakeholders and Capitol Hill to determine a path forward.

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PG&E Position: We encourage you to keep in mind the following points prepared by our Energy Efficiency organization (specifically Energy Efficiency Codes and Standards teams):

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- PG&E should maintain its position of supporting increased efficiency levels for residential gas furnaces and ultimately moving the market towards condensing technology.
- PG&E docketed comments regarding the Notice of Proposed Rulemaking on energy conservation standards for residential furnaces with DOE on July 10, 2015 (please see attached). The comments focused on:
 - Support of State Energy Efficiency and Carbon Reduction Policy.
 - Technical modifications to the DOE Life Cycle Cost analysis that shows improved cost effectiveness for California ratepayers and the nation.
 - California renters, most of which are lower income households, benefit from high efficiency furnaces.
 - Positive impact of condensing furnaces on compliance with California Air Resources Board (CARB) NOx limits.
- PG&E opposes AGA's efforts in Congress to prohibit DOE from publishing a final rule to update standards for residential non-weatherized gas furnaces or mobile home furnaces until further analysis by an advisory group is conducted. (Note that in October 2009, manufacturers and efficiency advocates negotiated an agreement that included two different standard levels by climate regions. Before the standards went into effect in 2012, the American Public Gas Association (APGA) filed a lawsuit objecting to the process used to adopt the standards. A settlement was reached between DOE and the APGA stating that a new DOE rulemaking should be completed by March 2016. The resulting DOE updated and improved analysis supports the cost effectiveness of condensing furnaces.)

AGA's primary concern seems to be fuel switching and customer retention, which PG&E previously addressed in our comments. California's Title 24 building code mitigates fuel switching, and our energy efficiency programs do not allow customers to fuel switch, so this is not a primary concern for PG&E. In fact, if AGA is successful in its legislative efforts, it would hamper PG&E and California's ability to meet future energy efficiency and GHG goals because State standards are preempted by federal standards.

AGA points out that a certain percentage of AGA member customers would be adversely impacted due to the increased cost of condensing technology purchase and installation. This is where utility energy efficiency programs can play a role, offering rebates and other financial packages as well as direct install options for low-income customers. Also, as history proves, the cost of this technology should become drastically lower as volume increases and the market makes condensing furnaces the norm.

The shift from non-condensing furnaces to condensing furnaces represents a significant increase in efficiency, with non-condensing furnace technology capped at roughly 80% efficiency and currently available condensing furnace technology reaching upwards of 96% efficiency. This increase can only be achieved by moving from non-condensing to condensing technology. It is similar to the situation for cars where all vehicles now use fuel injection to meet air pollution requirements which could not be met using carburetors.

Current DOE proposal phases out market share for non-condensing furnaces from 47% (2015) to 0% (2021), which seems to be adequate time for industry stakeholders to adopt the new technology, including manufacturers, contractors, customers, etc., while the AGA

proposed revision maintains a capped 24% market share indefinitely for non-condensing technology, which doesn't align with our energy efficiency goals and general industry trends.