SoCalGas

A Sempra Energy utility

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Ms. Brenda Edwards
U.S. Department of Energy
Building Technologies Office
Mailstop EE-2B
1000 Independence Avenue, SW
Washington, DC 20585-0121

Re: Docket Number: EERE-2014-BT-STD-0031
RIN: 1904-AD20

Southern California Gas Company (SoCalGas) appreciates the Department of Energy (DOE) issuing a Notice of Data Availability (NODA) regarding the recently released Residential Furnace Notice of Proposed Rulemaking (NOPR).

SoCalGas has been delivering clean, safe and reliable natural gas to its customers for more than 140 years. It is the nation's largest natural gas distribution utility, serving 20.9 million consumers through 5.8 million meters in Southern California. For decades, SoCalGas has been actively pursuing highly efficient natural gas use by promoting energy efficiency and driving advancements in natural gas equipment and low emissions technologies as well as investing in advanced technologies in renewable natural gas and distributed generation.

SoCalGas' achievements in energy efficiency are significant, having realized savings equivalent to almost 152 million therms over the past five years and over 560 million therms since 1990. Currently, we run 82 energy-efficiency programs, have an annual therm savings goal of over 25 million therms, an annual budget of $89.5 million and employ 186 people to deliver these programs. In addition, our low-income energy efficiency programs have treated over 569,000 low-income households with energy efficiency upgrades at no cost to those households. In 2014 alone, we avoided 170,000 tons of CO_2 emissions. Our programs have also helped to create 8,000 jobs in California.

Although we are pleased that an effort is being made to find a compromise, we remain concerned that DOE did not address our original comments to the NOPR. Specifically, we seek a response to the following concerns outlined in our July 10, 2015 response to the NOPR:

1. **First Cost:** The DOE's method to determine furnace and installation first cost is very complex and draws on a very large number of input parameters, including a teardown analysis and economic literature. We have several concerns with this approach:

    - Teardown analysis may not account for innovation; advances in manufacturing, and changes driven by yet-unknown future value- or-performance engineering;

    - Economics is not a "hard" science and has varying degrees of accuracy. Literature and methods will vary depending on the data source;

    - There likely are regional differences that cannot be properly accounted for, but that could have significant impact on the alleged savings figures.

2. **Overstated Life-Cycle Cost:** DOE's predictive LCC model results combine general assumptions and a limited consumer model that overstate LCC savings compared to a more robust Consumer Economic Decision-making (CED) framework methodology.

3. **Baseline Furnace Assignment Methodology:** DOE's random baseline furnace assignment methodology is technically flawed. Replacing DOE's methodology with economic decision making criteria changes both the characteristics and fractions of "Net Benefit" and "No Impact" consumers and significantly reduces the financial benefit of the rule, both nationally and regionally.

4. **Adjusted Price Forecasts – AEO2015:** DOE's use of price forecasts for energy prices may be outdated. The DOE uses the AEO 2014 (U.S. Energy Information Administration, American Energy Outlook, 2014). In comparison, AEO 2015 (U.S. Energy Information Administration, American Energy Outlook, 2015) anticipates about 4.5% lower natural gas prices than AEO 2014 in real 2013 dollars, by 2040. Therefore LCC savings that DOE estimated using AEO 2014 would be reduced and payback times for the 92% AFUE condensing furnace would increase accordingly.

In our July 10, 2015 response to the DOE's NOPR, SoCalGas highlighted our obligation to our customers in ensuring that our actions do not negatively impact them. The DOE's own analysis of the NOPR reflects a negative financial impact on customers in warm climate states like California, and SoCalGas' subsequent analyses indicates that this rulemaking is neither technically feasible nor economically justified.

SoCalGas respectfully requests that the DOE address the flawed methodology in the NOPR as outlined in our July 10, 2015 comments, which are attached as reference. Thank you in advance for your consideration and we look forward to working with DOE to address these issues.

Sincerely,

Rodger R. Schwecke
Vice President, Customer Solutions

cc: John Cymbalsky, DOE Office of Energy Efficiency and Renewable Energy
Eric Stas, DOE Office of the General Counsel
Johanna Hariharan, DOE Office of the General Counsel