Here’s a little background on our SW team conversations on the DOE furnace rule.

This furnace rule was discussed first at the planning session held in February in San Francisco.  No substantive discussion occurred in February.  The SW team discussed the upcoming rulemaking and the managers agreed that this may be an occasion in which the utilities may not necessarily be on the same page.  At that time Sue Kristjansson let the group know that SoCalGas would be doing an independent assessment of the planned rule to determine the impact on our customer. Sue indicated in … that SCG intended to hire Negawatt.   In mid-June at the C&S quarterly meeting Sue notified the C&S team that our preliminary analysis was reflecting a negative situation for our customers and that we would likely be opposing the rulemaking. No substantive discussion occurred during the quarterly meeting. PG&E noted that we would be filing a letter in support of DOE.   We first received notification of PG&E’s intent to file support documents on Tuesday, July 7th – just prior to the filing deadline of July 10th.  Mary Anderson sent Sue a draft of our letter after talking to Sue who wanted to see the letter. We never got any documents from SCG. Sue did not reciprocate. A PPT dated March 6th (done by TRC the PG&E consultant) was presented at a conference call attended by SCG and the rest of the SW team. Marshall invited SCG to join a statewide subcommittee in further exploration of the LCC analysis. SCG declined saying they were hiring Negawatt.  Sue rejected Marshall’s request to have the two consultants work with the SW team. We were actually unaware that PG&E was conducting an independent analysis until that point.  As shown by the March 6th PPT this is incorrect.

SoCalGas became engaged in the DOE proposed rulemaking earlier this year.  We did some research into the background behind this rule and found that it has a long history including successful litigation filed by APGA in 2011, that validated the fact that the DOE’s issuance of a direct final rule (DFR) was inappropriate and outside their scope of authority.  DOE is specifically entitled by federal law to set appliance regulations.  This litigated issue was one of process. By the time we took up the issue, the AGA had already been working with GTI for several years on assessing the DOE’s analysis to determine if this was of true benefit to natural gas consumers across the country.  Gas Technology Institute (GTI) analysis uses the DOE LCC tool to develop the worst case results based on their choice of inputs. The DOE LCC tool is complex with a large number of inputs each of which was discussed and justified by DOE. It is not hard to modify the inputs. The GTI inputs have not be exposed to the public vetting process as have DOE’s  SoCalGas decided not to rely solely on the GTI analysis so we commissioned an independent analysis using the DOE’s own inputs as our basis first and then corrected with SoCalGas specific data.  Negawatt only considered Los Angeles and San Diego climate conditions which is contrary to DOE rules and does not consider the rest of California ratepayers. The outcome of our independent analysis was similar to the GTI analysis in that moving to a 92% AFUE furnace in Southern California is not cost effective for any of our customers with either the DOE’s own data or the data we found to be true in our service territory.  I’ve attached the letter and report we submitted to the DOE for your reference. We did not have access to any of these documents until they appeared in the DOE docket on July 13th.

The AGA is opposed to this rulemaking and has been trying to introduce legislation that would suspend the rulemaking and instruct the DOE to form an exploratory committee to do a much deeper dive on the topic. Meghan Dewey and our Washington DC staff asked the C&S team for comments support opposition to the legislation. If passed a Work Group (like the ones Marshall and Gary are appointed to by DOE) be established. The fundamental problem is that unlike other appliances combustion efficiency jumps 10% between noncondensing and condensing so that negotiations to find an acceptable middle ground are not possible.