**Issue for Decision:** Whether AGA should engage in an intensive Capitol Hill campaign asking for legislation to establish two product classes for non-condensing and condensing furnaces, beginning with a fly-in of CEOs from across the country to meet with E&C Committee members.

Position: No support:

Impact on California customers

Separating out the furnaces into two product classes appears to be a viable option. However, the result would likely be the same for States with aggressive advancements in energy-efficiency.

* California’s 2016 Title 24 cycle is similar to the furnace situation. The DOE currently has water heaters in two separate product classes, one for instantaneous and one for storage. When the Federal standards of the storage water heater and the instantaneous water heater were recently raised to .675 EF and .82 EF respectively, the California Energy Commission chose to adopt the higher standard product as the baseline for California in the residential new construction market.
* If the legislation was to mandate that the DOE separate condensing and non-condensing furnaces into two separate product classes, it is likely that California would simply adopt the higher standard equipment as the baseline now that it has set precedent with the IWH. This would impose increased new construction costs on California customers; disproportionately impacting low-income communities.
* The only relief this would provide to SoCalGas customers would be the delay in implementation for the retrofit market through the Title 20 process over the subsequent years. Eventually, the Title 20 process would adopt the higher standard for the retrofit market.

Political Environment

* There is significant opposition to this legislative option by environmental and efficiency advocacy groups. In addition, the DOE has already rejected it; making the likelihood of this option passing low.
* Should the AGA aggressively seek this option in the face of opposition we risk alienating environmentalists and efficiency advocacy groups.
* Weighed against the current published proposed rule of 92% AFUE for all furnaces we would support two product classes but, it would not provide significant relief for California consumers.