Nick,

As a follow-up to our discussion about DOE’s condensing furnace standard in August, I wanted to let you know that we are planning to submit a letter to DOE addressing the revised analysis DOE released in September. Because PG&E is still endeavoring to collaborate with various parties on discussion of the standard, we plan to meet today’s deadline for comments with the **attached** letter indicating that we are still engaged in the dialogue and will submit our formal comments within the next few weeks.  We expect that DOE will agree to accept our late submittal as they have for others in the past.

We have also **attached** a draft letter which expresses our current viewpoint, and is what we would anticipate filing in a few weeks unless the ongoing dialogue changes our position.  We understand that you have been heavily involved in this issue through AGA, and we are looking for your perspective and input before proceeding with this letter.

Background

The Department of Energy released an initial furnace standard July 10, 2015 that would require a 92% efficient furnace, which is an increase from the current standard of 80% efficient furnace.  A noncondensing furnace has AFUE values up to 80 and a condensing furnace will achieve AFUE (Annual Fuel Utilization Efficiency) values above 90.  This achieved by adding a second heat exchanger.  It was noted in the analysis that in some older homes in the northeast and in Los Angeles customers may pay more for the increased standard that what it would save due to installation difficulties.  It was noted in the analysis that some customers living in older homes may pay more for the increased standard that what it would save due to installation difficulties.

NRDC, AGA, ACEEE, ASAP, and others worked on a developing a compromise 2-tier, capacity-based standard, but did not complete negotiations before comment letters were due in July. AGA and others encouraged DOE to revise their analysis to include a capacity based, 2 tier standard.  Such a standard would allow noncondensing furnaces up to a certain capacity (Btu input), and require condensing furnaces for larger capacity units.  The theory is that when a large capacity furnace is installed the annual energy use will be higher.  Savings are a percentage of the usage so higher usage will yield more savings which can offset incremental costs thereby increasing lifecycle cost-effectiveness.  DOE released additional information on September 14, 2015, which included analysis of the impact of a compromise that was proposed by the advocates and industry. In the analysis of the 2-tier standard capacity cutoffs of 45, 55 and 65 kBtuH considered.  PG&E’s Codes and Standards program is supportive of this compromise urges a cutoff at the lower end of the range.  We believe it is cost effective and in the best interest of our customers.

The Codes & Standards team draft comment letter will support the DOE’s compromise position and advocate for a 50 kBtuH cutoff capacity.  This cutoff level allows noncondensing 80 AFUE furnaces with adequate heating capacity and air conditioning airflow to serve the comfort conditioning needs of our customers with furnaces under 50 kBtuH. Furnaces over this size will be required to meet a 95% standard AFUE.

The other organizations participating in this rulemaking are taking the following stances:

* ACEEE, NRDC, and ASAP are taking the same position as PG&E on this rulemaking.
* The CEC has emailed us to let us know that they will be urging DOE not to proceed with a capacity based standard.  Since the majority of furnaces in California are under 65 kBtuH the capacity standards will not provide significant savings for California.
* SCE and SDG&E are staying neutral to avoid the controversy.
* Our understanding is that SCG, AHRI, and AGA are the major detractors for this rulemaking.  If they accept the compromise capacity standard they will probably advocate for the 65 kBtuH or higher cutoff requirement.

Over the past months, PG&E conducted two Statewide Codes & Standards meetings and exchanged communications with SoCalGas and the other IOUs.  As occurred previously, PG&E and SoCalGas were unable to reach common ground and will be submitting separate comment letters.

Please do not hesitate to contact me, as well as our experts Marshall Hunt and Pat Eilert, if you want more information.

--Jan Berman