

From: Dietz, Sidney  
Sent: 4/27/2011 12:47:57 PM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7);  
'marzia.zafar@cpuc.ca.gov' (marzia.zafar@cpuc.ca.gov);  
'lindsay.brown@cpuc.ca.gov' (lindsay.brown@cpuc.ca.gov)  
Cc: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAE); Hughes,  
John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS)  
Bcc:  
Subject: RE: Comr Sandoval and the Pres Obama tax stimulus

See below from our HVAC person. He confirms that \$2M is too big for what we consider SMB. Also, our metrics for HVAC treat those investments as having a life of 15-20 yrs. Let me know if you'd like more.

yours,

sid

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Hi Sidney,

Here are the answers I got to your questions from our engineers. I hope that it will help.  
- A large HVAC system (Chiller + air distribution) is about \$1,600/ton. 1 ton of cooling can serve about 400 Sqft. Which means that for a \$2M HVAC system retrofit, it will be for at least 1,250 tons which represents an office building of 500,000 Sqft (not a SMB!)  
- The EUL for HVAC considered in our programs is between 15 and 20 years (depending on components and applications).

Best regards,

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Redacted

IDS Products - Industrial Systems  
Integrated Demand Side Management  
PG&E

Redacted

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Do I seem terse? Blame the thumb keyboard.

**From:** Cherry, Brian K  
**Sent:** Wednesday, April 27, 2011 07:14 AM

**To:** 'lindsay.brown@cpuc.ca.gov' <lindsay.brown@cpuc.ca.gov>; 'marzia.zafar@cpuc.ca.gov' <marzia.zafar@cpuc.ca.gov>; Dietz, Sidney  
**Cc:** Hughes, John (Reg Rel); Allen, Meredith  
**Subject:** Re: Comr Sandoval and the Pres Obama tax stimulus

Let me check but most Industrial HVAC options are out of the range of small business but let me check on smaller units.

Sid - can you look into this and get back to Marzia and Lindsay ?

**From:** Brown, Lindsay M. [mailto:lindsay.brown@cpuc.ca.gov]  
**Sent:** Tuesday, April 26, 2011 11:12 PM  
**To:** Cherry, Brian K; Zafar, Marzia <marzia.zafar@cpuc.ca.gov>  
**Cc:** Hughes, John (Reg Rel)  
**Subject:** RE: Comr Sandoval and the Pres Obama tax stimulus

Brian,

What about HVAC? Is the projected life of that asset less than 20 or 30 years? Thanks.

Lindsay

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Tue 4/26/2011 16:17  
**To:** Zafar, Marzia; Brown, Lindsay M.  
**Cc:** Hughes, John (Reg Rel)  
**Subject:** FW: Comr Sandoval and the Pres Obama tax stimulus

Marzia and Lindsay - with regards to bonus depreciation, I wanted to point out that in our initial set of talking points on the then-Water Resolution (appended above, excerpted below) pointed out that bonus depreciation is really for large businesses that intend to spend more than \$2 million in capital. Smaller businesses get tax benefits from other parts of the Obama Act. Bonus depreciation was not designed to appeal to small businesses at all. I hope this clarifies things.

- **Overview Of The New Tax Law.** The New Tax Law contained numerous provisions intended to provide tax breaks to all segments of the economy:
  - Middle-income earners benefit from a payroll-tax holiday
  - Lower-income earners benefit from continued expanded availability of child credit and other breaks
  - Higher-income earners benefit from lowered estate tax rate
  - Small businesses benefit from increased “Section 179 expensing” and other tax breaks<sup>[1]</sup>
  - Bonus depreciation is primarily useful to very large businesses spending more than \$2 million on new capital equipment in 2011 and, to a lesser extent, in 2012.<sup>[2]</sup> Small businesses are less likely to benefit from bonus

depreciation because they can already write off 100% of equipment costs up to \$500,000 (previously, \$250,000).<sup>[3]</sup>

[1] Wall Street Journal, "Congress Passes Tax Deal" (12/17/10) - <http://online.wsj.com/article/SB10001424052748703395204576023772342189318.html>

[2] Section 179.org, "Section 179 FAQ's" - [http://www.section179.org/section\\_179\\_faqs.html](http://www.section179.org/section_179_faqs.html)

[3] Wall Street Journal, "Small-Business' Bill Holds Plenty for Big Firms" (7/28/10) - <http://online.wsj.com/article/SB10001424052748703940904575395520866814284.html>