

March 7, 2019

The Honorable Bobby Rush
United States House of Representatives
2188 Rayburn House Office Building
Washington, DC 20515-1301

The Honorable Fred Upton
United States House of Representatives
2183 Rayburn House Office Building
Washington, DC 20515

Re: House Energy and Commerce Committee Subcommittee on Energy, Hearing entitled
“Wasted Energy: DOE’S Inaction on Efficiency Standards and it’s Impact on Consumers and the
Climate”

Dear Chairman Rush and Ranking Member Upton,

The American Public Gas Association (APGA) and the American Gas Association (AGA) we appreciate the opportunity to submit this letter on the important hearing entitled the “Wasted Energy: DOE’s Inaction on Efficiency Standards and Its Impact on Consumers and the Climate.”

APGA is the national association for publicly owned natural gas distribution systems. There are approximately 1,000 public gas systems in 37 states and over 730 of these systems are APGA members. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that own and operate natural gas distribution facilities in their communities. Public gas systems’ primary focus is on providing safe, reliable, and affordable natural gas service to their customers.

AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 74 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent — more than 71 million customers — receive their gas from AGA members. Today, natural gas meets more than one-fourth of the United States’ energy needs.

At the most basic level, APGA and AGA represent the views of American natural gas consumers. Our members serve the homeowners and small businesses that rely on affordable natural gas to heat their homes and water, cook their meals, dry their clothes, power their restaurants, schools and hospitals, and service businesses of all types.

A Consumer Perspective

As an industry, we are proud of our track record in providing safe, affordable and reliable energy to the American public. Natural gas utilities now serve more than 74 million American customers. That is up from 35 million in 1970. Most importantly, while customers have increased by the millions, the volume of gas delivered has remained relatively flat. Several factors are responsible for this such as tighter fitting windows and doors, better building envelopes and better insulation, but credit is also due to utility sponsored energy efficiency programs and the development of increasingly more efficient natural gas technology. This is an energy efficiency success story.

We believe that energy efficiency will continue to be a cornerstone upon which we build our energy future. APGA and AGA are strong proponents of energy efficiency standards which are based on sound science, transparent analysis, and economic justification. DOE's energy efficiency standards program was established to save consumers money by efficient energy usage; however, the goal of program is not to eliminate consumer choice. DOE should not implement more stringent efficiency standards without a full review and analysis of the potential impact on the overall energy markets and product markets, and the standards' effect on customer choice, among other things.

A proposed standard's impact on consumer costs must be taken seriously by DOE. We have requested that DOE clarify its definition of "economic justification" used in efficiency rulemakings. The current proposed residential furnace standard is ill defined, obscuring transparency and injecting more ambiguity into the rulemaking process. We have recommended that any proposed efficiency standard be measured by a simple payback period to determine economic justification, followed by a transparent assessment and threshold of the percentage of consumers that would be negatively impacted by the new efficiency standard.

DOE must recognize that when a majority of consumers cannot afford new higher efficiency equipment, a litany of unintended consequences result from new standards. Regulations that increase the price of equipment and installation costs for minimal efficiency improvements result in consumers choosing to repair and keep in service older and less efficient equipment. Moreover, increased equipment prices may result in fuel switching to a more costly and higher emitting fuel source, thereby limiting the benefits of the new standards.

Consumer purchasing shows that the market favors innovation and higher efficiency equipment. For example, in 2007, DOE reviewed the minimum residential furnace standards and declined to require a condensing furnace standard due to the fuel switching that would occur, primarily in the South; yet the market share for high efficiency condensing furnaces has grown dramatically over the last eight years, especially in the North where the life cycle savings of high efficiency furnaces warrant their purchase. Agencies must learn to defer to markets where the data shows that the market is working, as is the case with residential furnaces.

DOE must rely on sound science, transparency and economic justification as fundamental principles for the development of energy efficiency standards which meet the requirements of its enabling statute. These principles are not intended to stymie energy efficiency gains, but are foundations for ensuring that new energy efficiency standards achieve the desired gains. Equipment manufacturers, consumers and many other stakeholders have an interest in moving towards the adoption of the next generation of energy efficient equipment. DOE's role should be to establish minimum standards in an open and transparent manner, based on peer-reviewed scientific information.

APGA and AGA are concerned about the lack of transparency in the rulemaking for residential furnace efficiency standards. Specifically, in the furnace rulemaking initiated in 2015, DOE relied on proprietary data from two privately authored American Home Comfort studies in its life cycle costs calculation. Interested parties in the rulemaking were required to spend \$15,000 to access to the two studies and the associated data. The data revealed energy savings contrary to what was claimed by DOE. More details on this matter was provided in our previous comments

to DOE on its NOPR. We applaud DOE's recent effort to review their modeling and the associated inputs used in for the evaluation of new efficiency standards.

The natural gas industry has incurred substantial technical and legal costs to argue against a flawed proposed standard that would cause great harm to natural gas consumers by doing away with non-condensing furnaces and thereby forcing many consumers to fuel switch to less efficient non-gas appliances. The furnace rule appears to be an example of ideology driving the decision-making process and not sound science. Eight years ago DOE tried to push the original proposal through the direct final rule process despite receiving adverse concerns from over 30 separate organizations. APGA appealed that rule, and DOE's response, after agreeing in appellate mediation to vacate the rule and remand the proceeding, was to publish an even more extreme and onerous proposal that under its own analysis would negatively impact one in five homeowners. While the natural gas industry is a strong supporter of energy efficiency, we are also strong opponents of proposed rules that are founded on faulty science and on non-transparent analysis – rules that ultimately will burden, rather than benefit, millions of consumers, driving many of them to less efficient alternatives.

Conclusion

APGA and AGA appreciate the opportunity to submit testimony before the House Energy and Commerce Subcommittee on Energy on this critical energy efficiency and public interest issue. We believe it is critical to DOE's mission to consider these comments as well as the comments from other stakeholders. Carefully considering all sides of an issue should not be labeled as "inaction" or "wasted energy." Instead, we would like to commend DOE staff for approaching their responsibilities under the Energy Policy and Conservation Act in good faith and not manipulating data to push a pre-set agenda. We stand ready to work with the Committee on this and all other energy efficiency and natural gas issues.