American Gas Association Statement  
U.S. Department of Energy Public Meeting  
Rulemaking for Residential Furnaces Energy Conservation Standards  
March 27, 2015

- The American Gas Association appreciates the opportunity to present its views on the Department of Energy’s notice of proposed rulemaking regarding energy conservation standards for residential furnaces.

- AGA and its member companies are strong advocates for energy efficiency in all direct use applications of natural gas. Nationwide, natural gas utilities supported energy efficiency programs with investments exceeding $1.1 billion in 2012 and 2013. AGA members reported budgets of $1.4 billion for energy efficiency programs in 2014.

- Through these energy efficiency investments, AGA members helped customers save 151 trillion Btu of energy and offset 7.9 million metric tons of carbon dioxide in 2013.

- AGA is concerned that DOE’s proposal to adopt a national 92 percent AFUE standard for non-weatherized natural gas furnaces will have unintended consequences.

- Our preliminary analysis of the information made available concerning the rule indicate it will impose significant economic burdens to American consumers, while providing substantially lower actual energy savings than indicated by the DOE technical support documents.

- AGA is also deeply concerned by the Department’s consistent lack of transparency throughout this rulemaking process. In a number of critical areas, the Department has obscured the assumptions, data, and methodologies contained in their technical documents in support of the rule.

- Despite written inquiries, questions submitted by AGA to the DOE have gone almost completely unanswered. This is particularly troubling given the immense complexity of the proposed rule and its reliance on highly sophisticated and opaque modeling methodologies.

- It is particularly concerning that much of the DOE analysis relies on methodologies that are proprietary or otherwise outside the public domain. DOE has failed to provide sufficient information needed by AGA – or any member of the public – to develop a clear understanding of the technical analysis supporting this rulemaking.

- As a result, it is impossible to ascertain whether or not the proposed rule meets the criteria established by EPCA for establishing new and/or amended standards.
AGA respectfully requests that DOE provide all information requested that had previously been withheld as deliberative information, and extend the comment period to allow for all parties to have suitable time to analyze this newly provided information.

AGA has reviewed the limited information available to us in the technical support documents associated with this rulemaking. Even given the limited public access to the assumptions and data included in the Department’s analysis, we have identified a number of areas that on their face appear insufficient to support the proposed standard.

AGA believes DOE’s economic analysis underestimates the costs to consumers and other adverse impacts that amended standards would impose. AGA is concerned that DOE’s cost and energy impact estimates do not fully reflect the costs that the proposed standard of 92 percent AFUE would impose on consumers and the nation. If finalized, AGA believes the rule would impose burdensome costs and renovations on many homeowners replacing their natural gas furnaces.

Even according to the Department’s own analysis, 66 percent of affected households would see no benefit -- or bear higher net costs -- under the proposed rule. It is especially objectionable that this rule will place an undue burden on low income consumers who will be unable to overcome the initial barrier presented by the higher unit costs of condensing furnaces.

According to the DOE analysis, 20 percent of households nationwide would see a net life cycle cost increase; 31 percent of consumers in the South region would experience net life cycle cost increase. Low-income consumers would be disproportionately affected – 39 percent of low-income consumers in the South would bear net life-cycle costs.

EPCA is intended to be a pro-consumer statute, and a proposed standard such as this that makes many consumers worse off should not reasonably considered to be economically justified.

AGA has jointly, along with the American Public Gas Association (APGA), retained the Gas Technology Institute (GTI) to assist it in analyzing the NOPR, and more specifically the GTI is an independent, not-for-profit technology organization engaged in research, development and training addressing energy and environmental challenges.

Our analysis to date has identified a number of concerns. We continue to work toward a better understanding of the DOE analysis. The following items are only a few examples of deficiencies in the DOE analysis we have identified to date, given our current and inadequate access to the Department’s data, assumptions, and methodologies.

I will note each of these briefly, and would welcome the opportunity to discuss any of these in greater detail with DOE staff or other concerned stakeholders.

- DOE underestimates adverse impacts from fuel switching. In particular, DOE has failed to properly estimate the economic and energy costs associated with fuel
switching from natural gas furnaces to less energy efficient alternatives. The impact of fuel switching cannot be overstated – **our analysis indicates that anticipated levels of fuel switching, as a result of the unavailability of noncondensing furnaces caused by the proposed rule, would lead to a net – and substantial – increase in consumer costs, energy usage, and greenhouse gas emissions nationwide.**

- **DOE overestimates product lifetime.** Although industry estimates indicate that the average lifetime of a non-weatherized gas furnace is 15 or 16 years, DOE’s estimate of 21.5 years is significantly longer. DOE’s optimistic assumption has the effect of inflating DOE’s estimates of net economic benefits and energy savings to consumers.

- **DOE overestimates the size of the affected market.** We believe the DOE methodologies are flawed and substantially overestimate the size of the market that would be affected by the proposed standard, resulting in an overstating of the claimed savings associated with the proposed standard.

- **DOE uses unexplained and inconsistent installation costs in its Life Cycle Cost analysis.** When comparing DOE’s 2011 Life Cycle Cost analysis with the Life Cycle Cost analysis used in the proposed standard, we have identified a large differential in the installed costs of a baseline 80 percent NWGF and the installed cost of condensing NWGFs. These unexplained changes in installed costs have contributed to a claimed improved Life Cycle Cost savings of condensing furnaces which we believe to be unsubstantiated.

  - In closing, we hope that the Department will act quickly to address the needs of the public by supplying full access to the data, assumptions, and methodologies needed to assess the full implications of the proposed rule in a meaningful way

  - Thank you for the opportunity to comment on behalf of the American Gas Association and our consumers.