



House Committee on Energy and Commerce, Subcommittee on Energy and Power
“Home Appliance Energy Efficiency Standards Under the Department of Energy–
Stakeholder Perspectives.”

June 10, 2016

Statement for the Record by the
National Association of Home Builders

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Washington, DC 20005

This statement is respectfully submitted on behalf of the more than 140,000 members of the National Association of Home Builders (NAHB). NAHB appreciates the opportunity to comment on this hearing entitled, *Home Appliance Energy Efficiency Standards Under the Department of Energy (DOE)*. NAHB will focus on DOE's recently proposed rule for residential non-weatherized gas furnaces and mobile home furnaces. This rule highlights a number of flaws in the rulemaking process which have led to a proposed rule which is not cost-effective, alienates stakeholders and was not developed in a transparent manner.

NAHB is urging the Committee to do its part to avoid similar problems in the future. Specifically, NAHB encourages the Committee to work on comprehensive legislative solutions that would focus on improving transparency, ensure greater stakeholder engagement, and guarantee cost-effectiveness in the appliance standard program.

More details on the flaws regarding the current rulemaking process are cited below.

Cost-Effectiveness

Last year, DOE proposed a rule to increase the energy-efficiency of non-weatherized gas furnaces, establishing a 92% AFUE (annual fuel utilization efficiency) national standard. While this rule makes sense for the northern climate zone, where colder temperatures require constant furnace operation, it is not cost-effective in the southern U.S., where homes are less dependent on furnaces. Unfortunately, DOE used a nationwide cost-benefit analysis to determine whether this rule is economically justified, and this neglects significantly lower energy savings that would be realized in the South. DOE's own findings show 31% of consumers in the South would never recoup the initial investment of the higher

efficient furnace over its life. An NAHB analysis (using DOE's calculations) of two states in the deep South, Florida and Texas, showed annual energy savings of \$8.40 and \$26.10, respectively. With the cost of a furnace frequently exceeding \$1,000, the economic payback for the consumer is well beyond the life of the equipment. A regional approach that reflects the costs and savings associated with each region makes better sense in this case.

Stakeholder Engagement

This proposed rule eliminates the availability of non-condensing furnaces, which complicates the replacement of these furnaces in existing homes across the country. Replacing a non-condensing furnace with a condensing furnace often requires remodeling to re-route the exhaust system. This potentially costs homeowners hundreds, if not thousands, of additional dollars. This type of retrofit may be impossible in some existing townhomes and multifamily structures, or even illegal, when banned by a condo association or if the retrofit conflicts with the building code. Further, replacing a furnace unexpectedly takes significantly more time and money. If all stakeholders were involved from the beginning, this oversight may have been avoided and a workable solution developed for families in these types of housing structures.

Lack of Transparency

During this rulemaking DOE used proprietary data to evaluate cost of the new standard, which was not made available to the public. Affected entities were at a loss to fully understand or provide meaningful comment on how those evaluations were performed or if the analyses were correct. During the public comment period, NAHB identified a number of price estimates that appeared to be incorrect, but without having access to the data used by DOE to calculate these estimates, NAHB could only request that the estimates be recalculated. In order to fully evaluate the parameters used in the DOE analysis, all data must be made publicly available.

Solutions

Legislation currently being considered as part of the Energy Bill Conference would require DOE to convene a representative advisory group of stakeholders to analyze the proposed rule to determine whether it is technically feasible and economically justified. If the stakeholders conclude the rule fails to meet these criteria, then the stakeholders must participate in a negotiated rulemaking. This legislation will help DOE better understand market realities, resulting in a cost-effective and economically justified rule. While this legislation would address this particular rulemaking, there may be future rulemakings that need to fully assess the economic impacts to all Americans. The Committee can help in this endeavor by crafting legislation to address all energy efficiency standards that incorporate the following elements:

- Improve transparency
- Ensure greater stakeholder engagement
- Guarantee cost-effectiveness

Conclusion

DOE failed to create an energy efficient standard that is economically justified, did not meaningfully engage all stakeholders and was not fully transparent. The proposed rule does not meet the spirit of the Energy Policy and Conservation Act of 1975, as amended. While a public comment period was provided, DOE did not engage in meaningful dialogue with all stakeholders nor share their data, resulting in a costly and flawed rule. In considering future legislation that addresses the development of energy efficiency standards, NAHB urges the Committee to focus on cost-effectiveness, greater stakeholder engagement and transparency. NAHB appreciates the opportunity to provide testimony and looks forward to working with the Committee on this important matter.