



October 22, 2014

The Honorable Ernest Moniz
Secretary, United States Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

RE: Separate Product Classes for Non-Weatherized Residential Gas Furnaces

Dear Secretary Moniz:

Thank you for the opportunity to brief your staff in recent weeks on an impact analysis of a national condensing furnace standard, which was conducted jointly by the American Gas Association (AGA), the American Public Gas Association (APGA), and the Gas Technology Institute (GTI). Our analysis strongly indicates significant adverse consequences are likely to accrue under a national condensing rule standard, if the rule is not structured to minimize the likelihood of fuel switching from natural gas to electrical space and water heating equipment.

Our analysis incorporates the results of a national survey of builders and contractors that AGA conducted earlier this year, to assess the equipment and fuel choices that would likely occur under a national condensing furnace standard. The model that we have developed shows that even small degrees of displacement of natural gas equipment would result in outsized adverse effects including greater overall energy usage, higher consumer costs, and increased carbon emissions. We have shared the detailed survey results, our spreadsheet-based model, and all the input data used in our analysis with your staff.

We are deeply concerned that, if not appropriately structured, this rule could prove to be the first energy efficiency standard issued in the history of the Department that has the real-world impact of *increasing* our nation's overall energy consumption and carbon footprint. We request the opportunity to work with you, and other stakeholders, to develop an approach to prevent these unintended outcomes and maximize the rule's potential to successfully contribute to our shared goals of improving energy efficiency and reducing emissions across the nation.

One possible approach to address this significant issue would be to establish separate product classes for non-condensing and condensing furnace technologies, consistent with the prescriptions of the EPCA and applicable DOE precedent. We believe this approach would largely eliminate pressure on consumers to switch from natural gas to electric space and water heating equipment when condensing natural gas furnace options are not viable alternatives.

Appended to this letter, please find a white paper that provides legal analysis we have developed that indicates, first, that the Department has the legal authority to establish separate product classes for condensing and non-condensing furnaces; second, that there is an ample technical basis to support two product classes; and, third, that applicable DOE precedents on the issue of product classes support treatment of condensing and non-condensing furnaces as separate product classes.

We look forward to working with you and your staff in developing a rule that assures real benefits to the nation.

Sincerely,



Dave McCurdy
President and CEO
American Gas Association



Bert Kalisch
President and CEO
American Public Gas Association