



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

April 26, 2017

Mr. Antonio Bouza
U.S. Department of Energy
Building Technologies Program
Mailstop EE-5B
1000 Independence Avenue, SW
Washington, DC 20585

Via email to: CACHeatPump2014STD0048@ee.doe.gov

RE: Docket Number EERE–2014–BT–STD–0048/RIN 1904–AD37: Direct Final Rule and Proposed Rule for Residential Central Air Conditioners and Heat Pumps

Dear Mr. Bouza:

Consumer Federation of America (CFA) is an association of more than 250 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. We have long supported cost-effective energy efficiency standards as they save consumers money over the long run through lower monthly energy bills.

We are writing to express our strong support for the Direct Final Rule for central air conditioners and heat pumps published in the Federal Register on January 6, 2017. As an organization dedicated to protecting consumer interests, we support the standards contained in the Direct Final Rule and the process under which they have been adopted because of the significant benefits they will provide to consumers throughout the country. We urge you to allow the Direct Final Rule to take effect.

We support the approach to revised standards taken with the Direct Final Rule. Consumer Federation of America has long supported regional standards as an approach that can increase consumer benefits by having standards that align more closely with regional climate conditions. Based on the extensive record developed in this rulemaking, consumer benefits outweigh costs. Net present value benefits for consumers at a 3% discount rate total to \$12.2 billion; using a 7% discount rate, net present value benefits are \$2.5 billion. Furthermore, the Department's lifecycle cost analysis built with extensive input from manufacturers and the agency's own experts found that consumer benefits outweigh costs in each region. Depending on the region and equipment, average consumer benefits range from \$39 to \$150. These figures take into account both costs and benefits. DOE has shown that the estimated cost of improving product efficiency is more than outweighed by utility bill savings. Given the six year lead time before the negotiated standards take effect, we expect that it is more likely than not that the manufacturers

will develop ways to comply with the new standards that are even less costly than estimated. As a result, we expect that actual consumer benefits will likely be even larger than estimated. Experience from prior dockets has shown that actual costs to comply with appliance standards are much lower than estimated costs.¹

We are aware that the American Action Forum has filed an adverse comment citing consumer costs from the record. In the Direct Final Rule, the Department has properly based its decision on consideration of both costs and benefits, as required by statute. AAF seems to be suggesting that only costs should have been considered, which would be contrary to the law and therefore does not provide a reasonable basis for DOE to withdraw the Direct Final Rule.

Our view of the first cost sensitivity of consumers and landlords is to consider the overall impact of the investment in energy efficiency enhancing technology. It is not sound financial advice to tell consumers to purchase appliances that have a substantially higher total cost of ownership. In the long run, this makes consumers worse off. In this case, the incremental increases in first costs are relatively small (between 3% and 4%) of the total installed cost. The payback period is less than half the life of the appliance and will be even shorter if actual costs turn out to be lower than estimated, meaning there is a longer period of benefit. The percentage of households that have a net benefit far exceeds the percentage of households that have a net cost, and the net benefits are far greater than the net costs. To the extent that these purchases are financed, or the costs are recovered by landlords in rent but consumers pay utility bills, the impact on near term cash flow would be quite small. Thus, first costs are not a cause for the agency to ignore the strongly positive economics of the efficiency improvements.

We also support the process under which these standards have been developed and their adoption by Direct Final Rule. Negotiated rulemakings can work to resolve substantive issues and arrive at outcomes that provide consumer savings and meet the needs of manufacturers for a predictable regulatory environment with changes on a schedule that enables investments to proceed in an orderly fashion. The Direct Final Rule saves taxpayers money by avoiding an unnecessarily protracted rulemaking process.

In closing, we urge you to let the Direct Final Rule for central air conditioners and heat pumps stand: doing so benefits consumers and avoids wasting taxpayer dollars on further unjustified rulemaking activity.

Thank you for your consideration of our views.

Sincerely,



Mel Hall-Crawford
Director of Energy Programs
melhc@consumerfed.org



Mark Cooper
Director of Research
markcphd@gmail.com

¹ See, for example, "Appliance Standards: Comparing Predicted and Observed Prices" at https://appliance-standards.org/sites/default/files/Appliance_Standards_Comparing_Predicted_Expected_Prices.pdf