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Date: 10/28/2010 05:21 PM  
Subject: A.O. Smith comments on Top Tier ENERGY STAR proposal

Ms. Vargas:

This email is in response to the request for stakeholder feedback on the "Proposal for Comment: Advancing the Market for Top Tier ENERGY STAR Qualified Products".

A.O. Smith Water Products Company is the leading manufacturer of residential and commercial water heating equipment in the United States. We have been in the water heater business since 1939, and have a very broad product portfolio of products, including many models that are very highly efficient - several of which are currently recognized by the ENERGY STAR program.

We support the establishment of a "Top Tier" ENERGY STAR program, and endorse the recommendation that the performance level should be established on a case-by-case basis. The criteria, and time frame for updating that criteria, should reasonably be derived differently for a long-lived product like an air-conditioner or water heater, versus a product with a shorter life such as a TV or dishwasher.

We do STRONGLY recommend that water heaters be included in the initial scope of the Top Tier program, however. Water heating is one of the top three usages of energy in homes across the U.S., and in fact is the biggest usage of energy in homes in certain regions, such as Southern California. In addition, virtually all homes (127 million in the U.S.) have water heaters, and the replacement of a failed or failing water heater is not a discretionary purchase, like a new TV. It would be missing a significant opportunity to promote saving a great deal of energy, through the informed purchase of a highly efficient appliance, by not including water heaters in the initial scope of the program. Furthermore, there are several models of extremely efficient water heaters, both gas and electric, on the market today, so the ability to implement the program category, and start realizing this energy savings, would be immediate.

However, to insure that the absolute top-performing gas water heaters would be eligible for Top Tier recognition, we must first see that they are included in the ENERGY STAR program itself. Unfortunately, that is not the case today. Larger input residential gas storage water heaters (above 75,000 Btu/hr input) do not fall within the coverage of the National Appliance Energy Conservation Act (NAECA), so they cannot be rated in "EF", or Energy Factor. Since they are covered under the Energy Policy Act (EPACT), they must be rated in "thermal efficiency", or TE. The ENERGY STAR eligibility criteria for water heaters is stated only in terms of EF, so the most efficient gas heaters that are available (which are rated in TE) cannot qualify. (And Federal law prohibits rating an EPACT-covered heater in terms of EF.)

Fortunately, there is a straight-forward solution to this situation. It has, in fact, already been resolved in the eligibility criteria for the personal income tax credit for energy efficient property that is contained in section 25C of the IRS Code. That criteria allows water heaters that meet certain levels of EF or TE to be eligible for the tax credit. A similar broadening of the ENERGY STAR criteria for water heaters, to include both NAECA- and EPACT- covered models, would resolve the problem.

Again, we are very supportive of the ENERGY STAR program, and the proposed Top Tier program, but feel that it is vital that water heaters be included in the initial scope of the proposal, and that ENERGY STAR eligibility be expanded to include EPACT-covered water heaters (rated in TE) as well as NAECA-covered water heaters (rated in EF).

We will be more than happy to answer any questions that may arise. We are also more than willing to work with the EPA ENERGY STAR program administrators in whatever way that would be helpful. Please call on us at any time.

Sincerely,

**Charlie Adams**

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