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Let me start by stating that Energy Star has proven to be a great sales driver on programmable thermostats. It is very well recognized by the consumer and thus retailers find the designation a valuable advertising tool. The mark allows the product to be included in the Energy Star tabs they run on other products. Thus there is a lot more advertising done on programmable thermostats than there likely will be without the designation. Therefore, we applaud Energy Star for wanting to continue this program and are receptive to how we might take it to the next level.

We are concerned about the current direction for three reasons:

1. There is a big difference in the retail/replacement market and the HVAC Distribution market. Based on register sales of product and industry reported equipment sales, multi-stage heat pumps seem to be about 20% of the installed base but up to 40% of new equipment sales. Multi-stage conventional is certainly less than 5% of the installed base. We have no visibility as to the percentage of equipment sales that are multi-stage conventional but I would hazard a guess that it is less than 30%. The Home Area Networking capabilities you are proposing are extremely rare, likely less than 1% of the installed base or new construction. (If you have better numbers on the above, I would love to see them.) Nor does there appear to be any clear industry standard for going forward, thus we are likely years away from this technology being commonly accepted. Therefore it will be very hard to design a thermostat that would be compatible with all formats that might someday come forward. Because of the extremely small installed base and the slow rate of adoption of the above mentioned equipment and technology, requiring these capabilities to be included in the spec. will result in very little utilization of the features and thus little resulting energy savings for the foreseeable future.
2. Building all the proposed features into the product will likely add upwards of \$20 or more into our *cost*. That would translate to a \$60-80 *increase* at retail (I can assure you our retail "partners" make far more on the product than we do and on the HVAC distribution side the mark ups are often 100% or more by the time it reaches the home owner). Currently 85% of retail sales are less than \$75. This specification would price the product out of that 85% of the market. Furthermore, the current product on the market that retails for as little as \$25 can still make their current claims of saving 33% or \$100 per year if used correctly. Based on point 1 above, paying for a \$120+ thermostat would save 95% of the population no more money than thermostat they could have for \$25.
3. Adding all these features will make the product far more difficult to use; more wire terminals to figure out in installation and more software menus to sort through.

It is generally accepted by the industry that ease of use and education is the best bet for driving sales and making sure the product is fully utilized. However, allowing for innovation on the part of the manufacturer will yield far more benefits than an EPA mandated regulation. I can assure you, with the onslaught of Chinese imports collapsing price points in this category we are very motivated in this regard and you can look forward to a lot of innovative product over the coming years from all of us; probably more than you have seen in the last 20 years. Unless, you come up with some blanket regulation that we all have to abide by and thus no longer have a way to differentiate our selves in what is quickly becoming a commodity product.

We would happy to participate in educational type programs that drive people to energy calculator websites etc.

Regards,

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