Blake.Barfield@atmosenergy.com

May 16, 2024

Ann Bailey
ENERGY STAR Labeling Branch
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington DC 20460

Submitted via email: HVAC@energystar.gov

RE: ENERGY STAR Program – Version 5.0 Furnace Specification

Director Bailey:

Atmos Energy Corporation (Atmos Energy) appreciates that EPA is no longer proposing to sunset all gas fueled furnaces from eligibility under ENERGY STAR certification but remains concerned with EPA's revised furnace specifications[1] (Proposal). Atmos Energy believes EPA's proposal to establish a minimum efficiency of 97% AFUE for gas furnaces would undermine longstanding and highly effective energy efficiency programs and reduce the adoption of energy efficient products. Because Atmos Energy supports energy efficiency measures, we request that EPA further revise its approach.

Headquartered in Dallas, Texas, Atmos Energy is the nation's largest natural gas-only distributor, serving 3.4 million distribution customers in over 1,400 communities across eight states located primarily in the South. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and infrastructure while continuing to invest in safety, innovation, environmental sustainability, and our communities.

A significant environmental benefit of this investment is the reduction of greenhouse gas emissions, which supports our goal of reducing methane emissions by 50 percent from 2017 to 2035 for EPA-reported distribution mains and services. In addition, Atmos Energy supports the promotion of energy efficient natural gas appliances and equipment as a means of supporting climate-related goals and has previously engaged with EPA regarding updated ENERGY STAR specifications for natural gas-fueled appliances.

---

[1] EPA, ENERGY STAR Program Requirements for Product Specifications for Furnaces (April 2024), Furnace V4 0 Final (energystar.gov)

Atmos Energy Corporation | 5430 LBJ Freeway | 1800 Three Lincoln Centre | Dallas, TX 75240 | 972-855-3756 Office | 972-855-3080 Fax

Atmos Energy understands that the Agency seeks to aid the "transition to cleaner energy sources"[2] in light of the Inflation Reduction Act, in which electric *and* natural gas heat pumps, water heaters, boilers, and furnaces are eligible for tax credits. But, the presumably unintended consequences of the Proposal are contrary to this goal—by imposing a performance standard that is all-but-unavailable in the market, EPA effectively eliminates gas furnaces as a viable option for receiving tax credits. The ENERGY STAR program should allow consumers to "find the right products for the fuel type in their home, as most make product replacements without switching fuel types."[3] Accordingly, as discussed further below, we believe it is in the best interest of our customers and the environment that EPA continue to reconsider its proposed action.

A. The Proposal Undermines Highly Effective Energy Efficiency Rebate Programs.

EPA's proposal to increase minimum efficiency to 97% AFUE for ENERGY STAR furnace specifications will dramatically shrink the pool of existing eligible natural gas furnaces able to meet EPA's proposed criteria. As EPA has noted, "[w]ith this change [from 90% AFUE to 97% AFUE] the number of certified models would shift from 47% to 4.5% of units currently on the market."[4] Simply put, EPA's proposed action would preclude over 95% of models available on the market today from ENERGY STAR certification. The consequence to long-standing and highly effective energy conservation programs—such as those offered by Atmos Energy—will be considerable and felt most by homeowners and small businesses.

Nationally, "[m]ore than 840 utilities, state and local governments, and nonprofits leverage ENERGY STAR in their efficiency programs, reaching roughly 97% of households in all 50 states."[5] Atmos Energy's SmartChoice Energy Efficiency Program is one such program, and is available to our customers in four states, including our Louisiana, Mississippi, Colorado, and Mid-Tex divisions,[6] with Louisiana being the latest authority to approve the program in early 2022. Our program relies on EPA's ENERGY STAR certification system to offer rebates and incentives for businesses and residential customers who install energy-efficient natural gas appliances like commercial cooking equipment, water heating, smart thermostats and heating equipment that meet ENERGY STAR criteria. For calendar year 2022, approximately 57,000 residential and commercial customers participated in these energy efficiency programs, resulting in **2.4 million therms of natural gas conserved** and 14,052 tons of CO_2 emissions avoided annually.

Incentive programs like the SmartChoice Program provide a cost-effective means for improving commercial and residential building energy efficiency *without* burdening customers,

---

[2] EPA, *Federal Tax Credits for Energy Efficiency*, last visited May 15, 2024, https://www.energystar.gov/about/federal-tax-credits.
[3] EPA, *ENERGY STAR Products Program Strategic Vision and Guiding Principles* 3 (May 2012) https://www.energystar.gov/sites/default/files/asset/document/ENERGY_STAR_Strategic_Vision_and_Guiding_Principles.pdf.
[4] Proposal at 2.
[5] EPA, *About ENERGY STAR – 2020* (Apr. 2021), https://www.energystar.gov/sites/default/files/asset/document/2021%20About%20ENERGY%20STAR%20Overview%204.12.21%20v1.pdf#:~:text=Since%201992%2C%20ENERGY%20STAR%20has%20helped%20reduce%204,investment%2C%203%20metric%20tons%20of%20GHGs%20are%20reduced.
[6] Atmos Energy also has a low income weatherization program in Kentucky.

who otherwise bear the brunt of the market transition if the furnace options they need are no longer available. Regulated public utilities rely on the ENERGY STAR certification system to provide a streamlined approach to help identify qualifying products that reduce the rate at which energy is used by equipment and/or processes while maintaining or improving the customer's existing level of comfort and end-use functionality. In addition, the economic savings realized for commercial and industrial customers reduce cost in a way that supports the overall economy and provides much needed ongoing financial relief to businesses that benefit the communities we serve.

In existing homes, replacing appliances becomes necessary over time. However, requiring the installation of a 97% AFUE furnace with condensing technology is financially burdensome. This technology requires additional external venting, which presents significant installation challenges and leads to substantial cost increases. These extra expenses and prolonged payback period are unwarranted and may drive consumers to choose less efficient but more affordable replacement options outside the ENERGY STAR product portfolio.

Advancing energy efficiency and decarbonization goals requires an acknowledgement of steadily increased efficiency consistent with existing marketplace availability. It is critical that EPA allow and encourage consumers to choose energy efficient and cost-effective appliances that meet their fuel needs while maintaining a high standard of energy efficiency. Our goal is to help our customers conserve energy, save money, and reduce their environmental impact,[7] and we believe that should be the goal of the ENERGY STAR program too.

B. EPA Should Promote Highly Efficient, Cost-Effective, and Realistically Available Products For All Fuel Types.

Supporting the "transition to cleaner energy sources" also means ensuring that the most energy efficient equipment is affordable. EPA cannot improve energy efficiency if the most energy efficient equipment is out of reach for all but the wealthiest consumers.

Consumers trust EPA's ENERGY STAR designation and look to it for guidance but, ultimately, budget and consumer preference drive many consumer decisions. Utility rebates play a critical role in bringing energy efficient appliances within reach. However, if these rebates are unavailable or if cost-effective ENERGY STAR products are unavailable (or scarcely available), consumers may be inclined to purchase a less energy efficient but more immediately affordable product. Policies that hinder the installation of affordable, incrementally efficient products undermine the goals of the energy efficiency program overall.

To obtain "full subscription" on Atmos Energy's rebate programs, the rebates offered must meet the required cost-effectiveness tests and lower the cost of the appliance to the consumer to a level that is within a reasonable range of the cost of less efficient alternatives (and that range of reasonableness is narrower in communities with a higher energy burden). If EPA refuses to certify

[7] According to an American Gas Foundation study, greenhouse gas emissions from U.S. residential natural gas use could be reduced by as much as 40 percent by 2050 through the use of energy-efficient emerging natural gas technologies, at about 10 percent of the cost of electrification. American Gas Foundation, *Opportunities for Reducing Greenhouse Gas Emissions Through Emerging Natural Gas Direct-Use Technologies* (Dec. 2019), https://gasfoundation.org/wp-content/uploads/2019/12/AGF-2019-Direct-Use-Study-Full-Report-Final-12-18-19-V2.pdf.

natural gas appliances that fulfill these requirements, then the consequence of the Proposal may be the unintentional promotion of less efficient, less expensive alternatives (whether natural gas or electric) over the pricier electric products EPA intends to promote. For energy efficiency measures to be adopted, they must be affordable for the consumer while maintaining or improving the consumer's existing level of comfort and end-use functionality. The Proposal is one of a growing number of electrification efforts that does not adequately consider the hurdle of affordability—to the detriment of consumers and the environment.

C. EPA Should Acknowledge the Continued Need for Regional Distinction

As stated in the Proposal, EPA is proposing to eliminate the regional variance, *i.e.*, the U.S. North and U.S. South distinctions, for natural gas furnaces in the ENERGY STAR program. EPA should maintain a regional distinction and have different gas furnace efficiency requirements and labels that are used for different regions of the country. In the southern half of the U.S., generally, homes require less heat when compared to the northern half.[8] However, EPA's Proposal ignores the differing heating needs in the northern and southern tiers of the U.S.

In its simplest terms, northern states have more heating degree days, *i.e.*, days when a furnace is needed, as compared to the southern states which are warmer and have fewer heating degree days annually. The number of heating degree days influences the amount of energy used to heat a home and thus greatly impacts the cost/benefit analysis when installing a high efficiency unit. EPA's Proposal marks a departure from recognition that weather and regional climate should be a component of ENERGY STAR specifications. Otherwise, EPA's proposed national standard risks eroding cost/benefit of installing 97% AFUE furnaces in southern states with fewer heating degree days.

Moreover, the data and model EPA uses to support the Proposal conceals possible regional concerns with current market penetration. In short, the use of model numbers overestimates the success of the program and only shows availability. Specifically, the number of 90% and 95% AFUE models does not signal how many 95% or 97% AFUE and above furnaces are shipped in the U.S. North or U.S. South. Individual furnace models could be installed in any climate and the modeled data only signals product availability. Moreover, the Department of Energy ("DOE") Consumer Furnace Rule[9] modeled data, used by EPA, was weighted by the total population of natural gas furnaces in 2020. In actuality, the U.S. North has a market share of approximately 52% at 95% AFUE and above, while the U.S. South is only 24% at 90% AFUE and above. Even at 95% AFUE in the U.S. South, only 15% of shipments meet this AFUE rating. As for the proposed standard of 97% AFUE, 4.0% of the U.S. North market meets this AFUE rating, and 1.2% in the U.S. South. This averages out to only 2.8% nationally—far less than suggested by the Proposal.

* * * *

Atmos Energy sincerely appreciates consideration of our concerns as we continue working to help our customers conserve energy, save money, and reduce their environmental impact. Please

---

[8] EPA, *Furnaces: Why ENERGY STAR*, last visited May 15, 2024, https://www.energystar.gov/products/furnaces (acknowledging that in the southern half of the U.S., "homes require less heat").

[9] *Energy Conservation Program: Energy Conservation Standards for Consumer Furnaces*, 88 Fed. Reg. 87,502 (Dec. 18, 2023).

do not hesitate to reach out to Blake Barfield at 214-864-2795 to discuss any follow-up questions the Agency may have. We would be pleased to discuss our comments in greater detail, particularly our energy efficiency programs.

Sincerely,

/s/ Blake D. Barfield
Director, Stakeholder Strategy