



Blake.Barfield@atmosenergy.com

June 22, 2023

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

***Submitted via email: HVAC@energystar.gov***

Re: Removal of Natural Gas Furnaces from the ENERGY STAR Program

Dear Director Bailey:

Atmos Energy Corporation (Atmos Energy) opposes EPA’s proposal to sunset ENERGY STAR certification for residential gas furnaces and central air conditioners (Proposal).<sup>1</sup> We share EPA’s commitment to increasing energy efficiency, and we are concerned the Proposal would undermine longstanding and highly effective energy efficiency programs and reduce the adoption of energy efficient products.

Headquartered in Dallas, Texas, Atmos Energy is the nation’s largest natural gas-only distributor, serving more than three 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 (GHG) 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 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.

Atmos Energy understands that the Agency seeks to “support the national transition to the most energy efficient equipment available”<sup>2</sup> 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. The ENERGY STAR program should allow consumers to “find the right products for the fuel type

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<sup>1</sup> Letter from EPA to ENERGY STAR Residential Heating and Cooling Equipment Partner or Other Interested Stakeholder, <https://www.energystar.gov/sites/default/files/asset/document/HVAC%20Sunset%20Letter.pdf> (Proposal).

<sup>2</sup> Proposal at 1.

in their home, as most make product replacements without switching fuel types.”<sup>3</sup>

Accordingly, as discussed further below, we believe it is in the best interest of our customers and the environment that EPA reconsider its proposed action.

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

EPA’s proposal to remove gas-fueled furnaces from ENERGY STAR certification would have far-reaching consequences for state-approved utility energy efficiency programs. As EPA has noted, “[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.”<sup>4</sup> Atmos Energy’s SmartChoice Energy Efficiency Program is one such program.

Atmos Energy’s SmartChoice Energy Efficiency Program uses EPA’s ENERGY STAR certification system in order to offer rebates and incentives for commercial 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. Incentive programs like the SmartChoice Program provide a cost-effective means for improving residential building energy efficiency *without* burdening customers, who otherwise bear the brunt of the market transition if the furnace options they need are no longer available.

The largest source of GHG emissions associated with Atmos Energy’s business is the end-use combustion of our natural gas product (Scope 3 GHG emissions). Energy efficiency programs represent an extraordinary opportunity to reduce emissions while maintaining customer choice, lowering energy bills, and reducing overall energy consumption. According to an American Gas Foundation study, GHG 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.<sup>5</sup>

Atmos Energy continues to work on reducing end-user emissions through energy efficiency programs that help our customers conserve energy, save money, and reduce their environmental impact. We currently offer comprehensive conservation and energy efficiency programs in our Louisiana, Mississippi, Colorado, and Mid-Tex divisions<sup>6</sup>, with Louisiana being the latest authority to approve the program in early 2022. These programs, which are marketed as SmartChoice Rebates, provide financial incentives to purchase high-efficiency natural gas equipment and smart thermostats and install home weatherization upgrades, in addition to providing free energy-saving devices. For calendar year 2021, more than 57,000 residential and

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<sup>3</sup> 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](https://www.energystar.gov/sites/default/files/asset/document/ENERGY_STAR_Strategic_Vision_and_Guiding_Principles.pdf)

<sup>4</sup> 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.>

<sup>5</sup> 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>.

<sup>6</sup> Atmos Energy also has a low income weatherization program in Kentucky.

commercial customers participated in these energy efficiency programs, resulting in **1.98 million therms of natural gas conserved** and 11,625 tons of CO<sub>2</sub> emissions avoided annually.<sup>7</sup>

Customer-funded energy efficiency programs are in the public interest because they provide benefits to all customers. Regulated public utilities are uniquely positioned to efficiently and effectively administer these programs, and the ENERGY STAR certification system has provided 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. By eliminating the certification for natural gas appliances, the Proposal unnecessarily removes a tool that EPA is uniquely positioned to provide and that supports the continued success of energy efficiency programs like Atmos Energy's SmartChoice Rebates and the inarguable benefits they provide. By any measure, placing high-efficiency furnace replacements out of reach for many households would be counterproductive to the purpose of the ENERGY STAR program and bad for consumers.

Advancing energy efficiency and decarbonization goals requires more than a narrow focus on electrification. 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.

#### **B. EPA Should Promote Highly Efficient Cost-Effective Products For All Fuel Types.**

Supporting the “national transition to the most energy efficient equipment available” also means ensuring that the most energy efficient equipment is affordable. EPA cannot improve energy efficiency if all the “most energy efficient equipment” is out of reach for most households. Policies that hinder the installation of affordable, efficient products undermine the goals of the energy efficiency program overall. By excluding safe, affordable, high-efficiency gas furnaces from ENERGY STAR certification, the Proposal would indirectly add to the substantial burdens already facing consumers, especially low- and middle-income households.

Costs are a significant factor in a consumer's decision to replace an appliance, and natural gas furnaces are cost-effective options to improve energy efficiency. In many instances, natural gas furnaces are a lower cost—and even lower associated emissions—option than electric alternatives. A recent American Gas Association study, for example, estimated that the total annual residential energy cost for a typical newer home with natural gas appliances is over \$1,000 less expensive than a similar home with electric appliances.<sup>8</sup> Even when compared to homes with a cold climate heat pump, a single-family home with natural gas appliances saved \$390 on average. And, as shown in the chart below, homes in Atmos Energy's service territory that use gas and electric ENERGY STAR appliances have consistently lower costs *and* lower overall emissions than all-electric homes. In short, natural gas remains an efficient highly affordable option for

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<sup>7</sup> In the Mid-Tex division from the inception of the program in 2015 through fall of 2022, Atmos Energy issued 1,471 direct customer incentives for purchase of consumer furnaces totaling \$596,512 in incentive payments. As a result of this program, participating customers conserve approximately 135,427 therms annually. Lifetime conservation is estimated to total approximately 2,708,551 therms.

<sup>8</sup> American Gas Association, *Comparison of Home Appliance Energy Use, Operating Costs, and Carbon Dioxide Emissions* 12 (Mar. 1, 2023), <https://www.aga.org/wp-content/uploads/2023/03/Appliance-Cost-and-Emissions-Comparison-2022.pdf>.

households, costing homes \$12.09 per MMBtu on average versus \$41.79 per MMBtu for electricity.<sup>9</sup>

**Comparison of All-Electric vs. Gas & Electric Residential Homes Utilizing ENERGY STAR 3.1 Rated Equipment<sup>1</sup>**

	All-Electric Cost <sup>2</sup>	Gas & Electric Cost <sup>3</sup>	All-Electric CO <sub>2</sub> (1000 lbs.) <sup>4</sup>	Gas & Electric CO <sub>2</sub> (1000 lbs.)
Louisiana	\$914	\$802	7.6	7.3
Mississippi	\$1,134	\$885	9.0	8.9
Kansas	\$1,976	\$844	16.3	12.4
Kentucky	\$1,525	\$882	13.5	11.2
Tennessee	\$1,368	\$784	12.7	10.6
Virginia	\$1,498	\$807	14.6	11.0
Colorado	\$2,139	\$931	20.4	13.1
Texas	\$1,240	\$869	10.6	8.9

<sup>1</sup> Results generated from GTI Energy Source Energy and Emissions Analysis tool

<sup>2</sup> Based on 2021 EIA eGRID electric rates and Atmos Energy average state rates

<sup>3</sup> Based on Gas space heating, water heating, range and clothes dryer

<sup>4</sup> Based on 2021 EIA eGRID source generation electric emission factors

If a customer were to choose the all-electric path, in addition to the initial cost of the appliance, customers in every state that Atmos Energy serves would also be committing themselves to significantly higher annual utility costs. Within Atmos Energy’s service territory states of Louisiana, Mississippi, and Texas alone, more than 1.5 million household live below 150 percent of the federal poverty level.<sup>10</sup> Texas accounts for nearly 925,000 of these households. Texas households that fall between 100 and 150 percent of the federal poverty level experience an average energy burden (*i.e.*, cost of energy as percentage of income) of 8 percent, while for Texans living below the federal poverty level—a group that represents almost 532,000 households—the average energy burden doubles to 16 percent. In Louisiana and Mississippi, Atmos Energy serves 361,000 households that fall below the federal poverty line. These households spend approximately \$350 more on energy each year than the national average and the Department of Energy estimates that their average energy burden is 22 percent. And, according to the Department of Energy’s data, customers in Texas, Mississippi, and Louisiana **all spend far more on electricity than natural gas.**<sup>11</sup> Yet, the Proposal would de-legitimize cost-effective and efficient natural gas appliances—and jeopardize the successful rebate programs that support their installation—in favor of costly electric alternatives.

<sup>9</sup> *Id.*

<sup>10</sup> Based on data collected from the Department of Energy’s Office of Energy Efficiency & Renewable Energy *Low-Income Energy Affordability Data (LEAD) Tool*, available at <https://www.energy.gov/eere/slsc/maps/lead-tool>, in October 2022.

<sup>11</sup> Nationally, for those who live below 150 percent of the federal poverty level, customers spend approximately \$1,900 each year on energy, including about \$1,400 on electricity and roughly \$425 on natural gas. Texas customers in the same category, however, spend nearly 14 percent more on electricity and 25 percent less on natural gas than the national average. Likewise, customers in Mississippi and Louisiana spend between \$350 and \$529 more on electricity than the national average. *See id.*

In addition to being affordable, natural gas homes are also highly efficient. While electric appliances may consume less energy than natural gas appliances, natural gas homes are more energy efficient overall. Compared to an all-electric home, a natural gas home requires approximately one-quarter less total energy on a full-fuel-cycle basis.<sup>12</sup> While the ENERGY STAR program is focused on promoting highly efficient technologies, EPA must consider the impact of its Proposal on overall energy efficiency if the Agency wishes to reduce GHG emissions. Product specifications only represent one component of the strategy to increase energy efficiency.

EPA cannot assume that removing natural gas furnaces from ENERGY STAR certification will “guide consumers to the choices that support the efficient electrification of residential space conditioning.”<sup>13</sup> Consumers trust EPA’s ENERGY STAR designation and look to it for guidance but, ultimately, budget and consumer preference drive many consumer decisions. If cost-effective ENERGY STAR products are unavailable, consumers may be inclined to purchase a less energy efficient but more immediately affordable product, further undercutting the overall effectiveness of the program. In order 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 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.

In order for energy efficient 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.

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Atmos Energy sincerely appreciates EPA’s consideration of these comments and would be pleased to answer any follow-up questions the Agency may have, particularly related to its energy efficiency programs. Please do not hesitate to reach out to Blake Barfield at 214-864-2795 for additional information or if you have follow-up questions.

Sincerely,

/s/ Blake D. Barfield  
Director, Stakeholder Strategy

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<sup>12</sup> American Gas Association, *Comparison of Home Appliance Energy Use, Operating Costs, and Carbon Dioxide Emissions* at 3.

<sup>13</sup> See Proposal at 1.