

December 29th, 2010

Ms. Abigail Daken
Environmental Protection Agency
1725 Eye Street NW, Suite 1000
Washington, DC 20006
U.S. Environmental Protection Agency ENERGY STAR HVAC Program

Re: ENERGY STAR® Product Specification for Furnaces Eligibility Criteria Version 3.0: Draft 2

Dear Ms. Daken,

Heating, Airconditioning and Refrigeration Distributors International (HARDI) is pleased to comment on the Environmental Protection Agency's (EPA) Energy Star Program Requirements Product Specification for Furnaces Eligibility Criteria 3.0: Draft 2.

HARDI is an international trade association comprised of nearly 1,000 member companies, over 430 of which are U.S.-based wholesale distributors of HVACR equipment, supplies, and controls. HARDI's distributor members represent over \$25 billion in annual sales and an estimated 90% of the U.S. wholesale HVACR market. Over 80% of our distributor members are small businesses with fewer than 100 employees.

First, in reference to the requirement that "ENERGY STAR qualification is determined by intended distribution and sales," and subsequently divided the U.S and Canada into three regions. HARDI believes that regionalization poses many problems for both consumers and businesses alike.

- HARDI believes that regionalization will prove to be unenforceable and will provide a market for unscrupulous suppliers and contractors to sell and install a product that is purported to be and is labeled as an ENERGY STAR product, when in fact that product does not meet the required specification in that region.
- We think that the ENERGY STAR label carries an intrinsic value and regionalization will diminish the value to consumers and create market confusion. For example, if a consumer in Northern Kentucky purchased an ENERGY STAR qualifying furnace in Kentucky and subsequently moves five miles into Ohio and purchases the same product; are they to believe that same model somehow became less efficient in their new residence?

HARDI is encouraged by the EPA's recognition that regionalization of heating standards and ENERGY STAR labeling requirements can be burdensome on manufacturers and create marketplace confusion. We would like to add that perhaps no business will be more negatively impacted by regionalized standards than distributors, who will now have added cost at all levels because of the duplicitous levels of inventory.

- From an internal perspective, distributors will now have a more difficult time making inventory projections and will be forced to label and price the same product as two separate entities, one that qualifies as ENERGY STAR and one that does not, depending on their best guess of where it will be installed.
- Distributors will now have to incur the added cost of marketing the exact same product in two different ways and spend additional resources educating personnel and clientele as to what qualifies as ENERGY STAR.
- Logistically, ENERGY STAR qualifying products would most likely be held separate from non-qualifiers and would require additional storage space that does not often exist.
- For multi-state distributors, regionalization is particularly vexing. These distributors succeed based on their ability to quickly shift and reallocate inventory. The regionalization of ENERGY STAR products will undoubtedly alter inventory projections and the unknown results of a divided market could have an unprecedented negative financial impact.

Distribution, by nature is a large volume, low margin industry. Over 80% of HARDI members are small businesses. With the economic uncertainty surrounding our country, HARDI believes that regionalization will risk the fiscal health of distributors nationwide. Therefore, HARDI recommends that the EPA adopt a singular standard for ENERGY STAR qualifying gas furnaces of 92 AFUE in combination with a 2% "e" level and air leakage rating which will provide significant energy savings and market certainty.

While we oppose regionalization and believe it will offer little to no energy-savings benefit while adding considerable cost throughout the supply chain and finally to the customer, regionalization of the ENERGY STAR label will only work if it is a singular label applied to any product that could qualify in at least one region.

Thank you for considering our comments. If you have any questions or wish to discuss this further, please do not hesitate to call me at (888) 253-2128.

Regards,

Jonathan Melchi
Manager of Government Affairs
Heating, Airconditioning & Refrigeration Distributors International (HARDI)