March 25, 2005

Ms. Rachel Schmeltz
U.S. Environmental Protection Agency
Office of Air and Radiation
1200 Pennsylvania Avenue NW
Washington, DC 20460

Re: Energy Star Proposals for Central Air Conditioners and Heat Pumps

These are the comments of Southern Company on the "Draft 1" proposed 2006 Energy Star Standards for central air conditioners and heat pumps.

Southern Company (Southern) is the parent firm of five electric utilities in the southeastern United States: Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric. These electric utilities serve over 3.7 million customers, including 3.2 million residential and 479,000 commercial customers. Our 120,000 square mile service territory includes most of Georgia and Alabama, southeastern Mississippi, and the panhandle region of Florida.

Southern Company is an active participant in the Energy Star™ program, and appreciates the opportunity to comment on the proposals.

Our views on the proposals are much the same as in the comments offered to you in October 2004. While the Energy Star™ proposed SEER and EER levels for split systems are reasonable relative to the new minimum efficiency standards which go into effect in January 2006, the HSPF of 8.5 is too high. Compared to the minimum standards in 2006, the proposed SEER level of 14 is 7.7% higher than the NAECA minimum of 13, but the proposed HSPF of 8.5 is 10.4% higher than the 2006 NAECA minimum of 7.7.

Even the current Energy Star™ standard of SEER 13/HSPF 8.0 requires a higher heating efficiency than the DOE Minimum Appliance Efficiency Standard Rule, which found a heating efficiency of HSPF 7.7 to be comparable to SEER 13. It should be noted that DOE found HSPF 7.7 to be comparable to SEER 13 based on an extremely comprehensive and detailed cost-benefit study. The inequity between heating and cooling efficiencies widens even more with the proposed Energy Star™ standard of SEER 14 and HSPF 8.5 for split systems.

Based on the documents provided by EPA, it appears that EPA has chosen the HSPF value based on regressions of the California Energy Commission's database of installed equipment. While this is certainly a large and convenient database, it is fundamentally biased because California's building codes have significant disincentives to the installation of electric heat pumps compared to gas furnaces and air conditioners. Also, California has extremely high electricity prices compared to the rest of the country and more moderately priced natural gas prices. The combination of these two factors will result in strong incentives for California residents that purchase heat pumps to choose models that are not comparable to those chosen in the rest of the country.

Shown below are the average 2004 electricity and natural gas prices for California and for the United States as a whole, from Energy Information Administration data. For electricity prices, this data is located at http://tonto.eia.doe.gov/dnav/ng/ng_pri_sum_a_EPG0_PRS_DMcf_a.htm. For natural gas prices, see http://www.eia.doe.gov/cneaf/electricity/epm/table5_6_b.html.

Fuel	Units	California	USA	% Diff.	Rank for CA
Electricity	Cents/kWh	11.78 cents	8.94 ¢	31.8%	9th of 51
Natural Gas	$/Mcf	$9.93	$10.74 ¢	-7.5%	31st of 46

As can be seen from this table, California has **31.8% higher residential electricity prices** than the national average, while California has **7.5% lower residential natural gas prices** than the national average. While this does not directly result in the purchase of heat pumps with heating efficiencies which are higher than the comparable cooling efficiencies, it would certainly result in equipment choices which are not representative of the nation as a whole.

The Energy Star™ program has made a genuine effort to maintain neutrality in relation to fuels in its standards. To chose a heat pump heating efficiency which is much higher than the efficiency in cooling mode for a comparable air conditioning-only unit provides an economic incentive to install an air conditioner and gas furnace rather than a heat pump. This is an incentive towards the use of a particular fuel which is not appropriate for the Energy Star™ program.

In addition, we continue to have concerns about the implementation and enforcement of installation practices as a requirement for Energy Star™. We are concerned that equipment installed in those states which do not have strong state-mandated efficiency programs will find it harder to qualify for Energy Star™ certification, which will hurt the Energy Star™ program and result in the purchase of fewer high efficiency HVAC units than would otherwise occur.

Thank you for the opportunity to comment on these Energy Star™ proposals.

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