



TESTIMONY REGARDING THE NEW JERSEY GOVERNOR'S ENERGY MASTER PLAN

George W. Cook III
Manager, State Government Affairs
Air Conditioning, Heating and Refrigeration Institute

The Air-Conditioning, Heating and Refrigeration Institute (AHRI) appreciates the opportunity to provide comments to the State of New Jersey regarding the Governor's Energy Master Plan. AHRI is the national trade association of manufacturers of residential and commercial HVAC equipment. We are an internationally recognized advocate for our industry. Our 350 member companies account for more than 90 percent of the residential and commercial air-conditioning, space heating, water heating and commercial refrigeration equipment (HVACR) manufactured and sold in North America. AHRI develops standards and certifies the performance of many products manufactured by our members. We have fourteen member companies that represent over 1,200 employees in New Jersey.

AHRI applauds the State for its efforts to develop a smart and comprehensive plan to address energy issues in the State of New Jersey. We have long supported the principle of energy efficiency. Our industry was a principal supporter of the National Appliance Energy Conservation Act of 1987 (NAECA). By joining forces with the Natural Resources Defense Council, other environmental groups, and a number of states, we negotiated the initial national minimum standards and standards review schedule for a wide range of residential products. Five years later, we negotiated federal standards for commercial products that were enacted in the Energy Policy Act of 1992. We developed national standards for commercial unit heaters, commercial refrigeration products, large packaged air-conditioning units, and commercial icemakers that were included in the 2005 Energy Policy Act. Last year, we collaborated on new national minimum standards for residential and commercial boilers and walk-in refrigerators and freezers that were included in the Energy Act of 2007.

The broad scope of the Master Plan clearly encompasses the idea of individuals adjusting their behavior to be more responsible. AHRI would like to suggest a few additions to the already substantial Master Plan. Tax credits for the purchase of highly efficient equipment provide a strong financial incentive to customers to purchase more efficient products that may require higher upfront costs. Additionally, sales tax holidays and abatements for these purchases could encourage New Jersey residents to change out older, less efficient equipment for products that meet today's federal minimum standards.

Furthermore, AHRI strongly supports installation of HVAC equipment by North American Technician Excellence (NATE) Certified Contractors. The California Energy Commission (CEC) has identified the need for higher quality installation practices in their own attempts to address energy consumption, stating: "... focusing merely on increasing or improving the rated efficiency of new (equipment) would not successfully result in reaching the goal of reduced peak energy use. This is because the widespread lack of quality control procedures during installation can increase the actual HVAC system energy use by 20 to 30 percent, regardless of their rated efficiency." Simply focusing on efficiency standards does not cover the whole breadth of improving efficiency and decreasing demand.

Finally, we would also encourage Governor Corzine to support AHRI's 2 Degree Pledge, an initiative our association has recently kicked off that encourages citizens to turn their thermostats up by 2 degrees in the summer and down 2 degrees in the winter. Consumers can save 5% per degree on their energy bill, thus producing a savings of 10%. AHRI is very proud of this initiative and we are working to market this program nationwide.

AHRI is a leading proponent of national efficiency standards for residential and commercial appliances and equipment. Federal standards create uniformity in distribution and diminish the threat of a “patchwork” of state standards in which different states enforce different standards. This causes manufacturers to administer to and track standards on a state-by-state basis. The majority of our products are covered by federal standards, including residential furnaces, which are covered by the National Appliance Energy Conservation Act of 1987 (NAECA). AHRI opposes the adoption of a different efficiency standard for furnaces on the state level as is suggested in the Master Plan by the support of AB 1763 and SB 1253.

In October of 2007 the Department of Energy updated the furnace standard to 80% AFUE and this standard will take effect in 2015. AB 1763 and SB 1253 require furnaces sold in the state to have a minimum efficiency standard of 90% AFUE. A significant cost increase can apply for the purchase and installation of a 90% AFUE furnace because of the vastly different installation requirements. The cost of furnaces could rise as manufacturers’ overhead increases due to higher administrative costs and the increased cost of distribution. Many citizens, including low-income and fixed-income elderly residents, may struggle to pay the higher upfront cost of a 90% AFUE furnace.

As the Governor is aware, the State of New Jersey would have to obtain a waiver of federal preemption from the DOE to enforce a 90% AFUE efficiency standard. The waiver application can take a year to be reviewed and NAECA requires a 3-to-6 year waiting period before enforcement. We urge Governor Corzine and the New Jersey legislature to support the numerous options outlined earlier in my testimony. These steps can provide instant energy savings and will immediately encourage an increase in the sale of higher efficient furnaces in the State.

We strongly support the effort of Governor Corzine in this Draft Energy Master Plan, but we suggest eliminating the references to supporting legislation requiring a new state furnace standard. Highly efficient furnaces are widely available for purchase and are being bought by those that can afford it. However, for others the greater cost may not be affordable. The New Jersey legislature should not force this greater and sometimes unaffordable cost on New Jersey Residents.

I appreciate the opportunity to represent AHRI’s views before this panel today. For further information, please contact me at 703-600-0320, or via email at Gcook@ahrinet.org.

Respectfully submitted,

George W. Cook III
AHRI
Manager, State Govt. Affairs