

IMGA gas NEWS

Interstate Municipal Gas Agency

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DOE Furnace Rule

By: APGA

For APGA, the most concerning example of a standard forcing fuel-switching relates to residential furnaces. Many Americans rely on natural gas-fired furnaces to heat their homes and businesses in the winter. There are two different types of furnaces on the market today: condensing and non-condensing. Non-condensing furnaces have the unique ability to share a common atmospheric vent with other appliances, like non-condensing water heaters. The exhaust produced naturally exits the building through a vertical chimney. Atmospheric venting has been used in the U.S. for generations and remains the primary system in millions of homes, apartments, and businesses.

What Does a Recently Proposed Residential Furnace Rule Do?

The Office of Energy Efficiency and Renewable Energy (EERE) within DOE issued a notice of proposed rulemaking establishing a new 95% annual fuel utilization efficiency (AFUE) standard for furnaces. This proposed standard can only be met by condensing furnaces, effectively **banning non-condensing furnaces that have been in millions of American homes for a generation or more.**

Why Is APGA Concerned?

The rule is an indirect attempt to force consumer fuel switching. Some non-condensing furnace users may find that due to structural issues or code concerns they are unable to accommodate a condensing furnace's additional venting and drainage requirements. Others may simply be unable to afford the additional cost of a new venting system on top of a new appliance. In either case, the consumer may be forced to switch from a gas-fired furnace to an electric appliance to heat their home.

In many states, especially those with colder climates, **natural gas is the preferred home heating energy choice.** This is based on: (1) lower upfront capital costs (gas furnaces compared to electric heat pumps) and (2) lower annual energy costs. For homes that currently have electric space heating, the unfortunate reality is that over 60% use inexpensive and inefficient electric resistance heating; less than 40% of single-family homes with elec-

tric heating use heat pumps. Also, electric heat pumps may experience challenges operating below about 40 degrees F. At these colder temperatures, electric heat pumps may require electric resistance heating for supplemental heat, which increases electricity consumption and peak power needs, and diminishes total electric heating efficiency.

Condensing furnaces generate cooler exhaust that is discharged using a venting system powered by a fan or other additional electronic device. This exhaust will not naturally exit through an atmospheric venting system and cannot be "common vented" with other appliances connected to that type of vent. Additionally, the condensing furnace generates liquid condensate that must be disposed of through plumbing drains routed to the building exterior.

The text and legislative history of EPCA indicate that Congress did not intend DOE to use appliance efficiency standards to force fuel switching. That is why the statute specifically requires separate product classes, and therefore efficiency standards, for appliances based on their fuel source. **Plus, consumers should have the ability to choose their preferred energy source.**

The rule is not economically justified as required by EPCA. Condensing furnaces are readily available and have already captured more than half the market. Six in ten of the natural gas furnaces shipped are condensing models. In cold weather states in the northern part of the country, like Minnesota or Wisconsin, most residential gas furnaces already meet the proposed requirement. **Absent government intervention, DOE already estimates that 91-95% of furnace replacements in these states will be at an AFUE of 92% or higher by the proposed effective date of the rule.** This trend in higher efficiency furnace purchases **demonstrates that the proposed new**



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standards are needless in the part of the country where they would produce the greatest benefit to consumers.

As well, the average price for electricity is historically higher than natural gas. This difference is evident in the modeled economic justification that shows the **proposed standard will add a financial burden to most consumers, including the low-income**, while producing few tangible benefits.

Actions Needed

Congressional oversight is needed to urge DOE to withdraw this rule.

DOE's proposed furnace rule is not cost-effective and will not produce the economic benefits required to justify such a standard under the law. It will place an unnecessary burden on consumers to achieve a policy goal – forcing consumers to switch from gas to electric as a fuel source – which is beyond the scope of what Congress intended when it authorized DOE to set such efficiency standards.

DOE should withdraw this rule. DOE's proposed furnace rule does not account for the current consumer behavior and will not produce the economic benefits required to justify such a standard under the law. It will place unnecessary costs on consumers to achieve a policy goal and take away consumer choice.



2023 PUBLIC NATURAL GAS WEEK

The 2023 Public Natural Gas Week is only a few weeks away and is scheduled to run from October 1st through October 7th. Public natural gas systems across the country will celebrate this week in a variety of ways. Use this week as an opportunity to share and highlight the importance and value of a community-owned utility with your customers.

APGA provides suggestions and resources for its members at the following link: <https://www.apga.org/events/pngw>

Winter Operations Packets Coming Soon

IMGA is providing Winter Operations Packets to all of our purchasing members.

Packets will be mailed during the middle of October and will include a winter weather forecast, NYMEX settlement price graph, your community's annual usage graph, your percentage of fixed winter volumes graph, and your winter risk management price graph.

We hope you will find this information useful when you are planning for future winters.

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