

Copy of HARDI Public Statement, July 17, 2008
Presented by Talbot Gee, Vice President

Re: Draft New Jersey Energy Master Plan

Good afternoon. My name is Talbot Gee and I am Vice President of the Heating, Airconditioning & Refrigeration Distributors International or HARDI. Thank you for the opportunity to participate in this important effort to reduce New Jersey's energy demand. HARDI represents 460 distributor members of heating, ventilation, air-conditioning, and refrigeration (HVACR) equipment and supplies in North America and around the world. There are 82 member facilities in New Jersey and 20 of our distributor members are headquartered in the state. HARDI distributors represent nearly 90% of wholesale HVACR sales nationally while employing over 30,000 HVACR professionals.

HARDI commends the Governor, the state legislature, and other parties involved in the development of this ambitious and thorough draft Energy Master Plan. Our distributor members have been working in close partnership with their manufacturer suppliers and contractor customers for many years to promote high-efficiency HVACR products long before the relatively recent explosion of "green" initiatives and incentives. Similarly, HARDI frequently partners with the Air-conditioning, Heating, and Refrigeration Institute (AHRI), the Air Conditioning Contractors of America (ACCA) and other industry organizations to find ways to further support our industry's efforts to drive energy-saving technologies and practices.

New Jersey's draft Energy Master Plan is impressively comprehensive, however we feel that we can benefit the State, its residential and commercial customers, and its HVACR businesses that are heavily invested in many of the products addressed in the Plan by outlining a few points that we believe would make the Plan more effective. These points fall into three categories: the value of coordinated demand side efficiency drivers, the need for more attention to technical training that supports high-efficiency technologies, and concerns that energy savings estimates attributed in the Plan to building code and equipment standards increases may be overly optimistic.

Consumer incentives, rebates, and preferential financing programs have been shown to be highly effective market drivers for high-efficiency HVACR equipment when utilities and/or government incentives are developed in coordination and partnership with industry businesses. Conversely, utility or government incentives developed in isolation are often viewed with some skepticism by industry for fear that they will be discontinued or insufficiently funded. Further, these programs are often inadequately advertised which obviously reduces their effectiveness. In addition to selling HVAC products, HARDI distributors are very active in training their contractor, dealer, and building manager customers, making them perfect drivers of equipment incentive programs. If distributors can help utilities and governments develop effective and simple incentive programs, the channel's marketing and sales efforts can support those incentives, creating a powerful

win-win situation. **HARDI recommends that the state's Plan establish "Industry Advisory Councils" to allow utilities to jointly review and develop HVACR incentive programs with the local HVACR businesses required to implement them. Further, strong utility and government incentives for high-performance building programs, such as Energy Star for Homes, are essential for voluntarily raising the bar of new construction practices.**

I mentioned the significant devotion HARDI distributors have to the training and education of their contractor customers, as well as their own personnel. The HVACR contractor installer base is highly diverse and fragmented and is under intense competitive pressure, especially as HVACR equipment continues to become more complex and expensive. Before any new technologies can be implemented, a significant amount of training must occur. The HVACR technician is in high demand today and the talent pool is not replenishing, let alone growing. These have been "green collar jobs" for years and should be recognized as such in the Plan. We need more well-trained HVACR technicians, armed with solar and geothermal systems knowledge, to educate consumers and promote energy-saving applications. **To be truly effective, the Plan should significantly augment secondary and post-secondary HVACR technical training and incent HVACR businesses to increase their commitments to training and education.**

Tangential to the need for more well-trained HVACR technicians is the need for greater consumer demand for quality installations and maintenance of heating and cooling systems. The California Energy Commission estimates that as much as half of all HVAC installations are performed incorrectly, which HARDI attributes largely to unlicensed and/or moonlighting contractors and, more importantly, to a lack of home and business owners' understanding or demand for quality installations. In a highly competitive market in which time truly is money, assigning value to quality installation and maintenance practices is imperative to the success of any energy demand reduction strategy. HARDI assisted in ACCA's development of an ANSI-approved Quality Installation Specification that is being considered for an Energy Star designation. **New Jersey utility and government support for ACCA's Quality Installation Specification standard would not only lead to significant energy savings, but would raise the bar for HVACR service across the state.**

The value of quality HVACR installation practices is no more evident than when considering increases in equipment standards and building codes as a means of achieving significant energy savings. **HARDI recommends that industry participants be included in discussions regarding building code changes intended to increase energy efficiency.** HVAC equipment sizing, for example, is heavily dependent on how a building is built, yet often the HVAC contractor or supplier is not involved in the design and specification process resulting in lost opportunities to save energy.

Finally, HARDI cannot stress enough the pitfalls of increasing the state's residential furnace and boiler standards. Our members and their customers work everyday to sell the benefits of high-efficiency furnaces, but the fact remains that a 90% efficient gas furnace is simply not affordable and/or practical for every application. This leads to the repair of legacy equipment that is usually far less efficient than today's base models. HARDI will leave it to our manufacturing partners to outline the technical differences between 80% efficient, non-condensing gas furnaces (which will be the federal standard in 2015) and 90% efficient condensing furnaces that the Plan is prescribing, however these are not plug-and-play upgrades.

Depending on the location of the equipment in the building, installation and renovation costs associated with upgrading to a 90% efficient furnace can easily triple the cost of the furnace itself (which can be nearly double that of a standard 80% efficient furnace). Over-aggressive increases in standards for such drastically different pieces of equipment will yield minimal energy savings while encouraging home and small business owners to keep their old, inefficient equipment online much longer. **Rather, a Plan that provides consumer awareness, tax and utility incentives, and a knowledgeable installer base will prove to be far more effective in saving energy and producing satisfied home and business owners than unrealistic and burdensome mandates.**

Thank you again for this opportunity to contribute to this ambitious Energy Master Plan. HARDI and its members in New Jersey look forward to working with the State, utilities, and other stakeholders to make this Plan as effective as possible. HARDI's headquarters in Columbus, Ohio welcome any questions you may have for us and we hope to be able to remain engaged, on behalf of our members in the state, throughout completion of this bold Plan.