

May 10, 2006

Mr. Hampton Newsome
U.S. Federal Trade Commission
Office of the Secretary
Room H-135 (Annex O)
600 Pennsylvania Avenue NW
Washington, DC 20580

Re: Energy Labeling Workshop – Comment, Project No. P064201

Dear Mr. Newsome:

This letter is written in response to the *Federal Register* notices of November 2, 2005 and April 10, 2006 on updating the energy labeling requirements for consumer products. It is also being written in reference to the energy labeling public workshop that was held on May 3, 2006.

EEI is the association of the United States investor-owned electric utilities, combination gas & electric utilities, industry affiliates, and associates worldwide. Its U.S. members serve 97 percent of all customers served by the investor-owned segment of the industry. They generate approximately 60 percent of all the electricity generated by electric utilities in the country and service 71 percent of all ultimate customers in the nation.

EEI supports the use of energy efficiency labeling which gives consumers clear, easily understandable information about the energy use, and potential costs, of the products they are considering for purchase.

The following comments have been reviewed by EEI member companies. EEI member companies may also provide separate comments under other separate submissions.

General Comments

1) EEI has reviewed the *Federal Register* notices and the information provided at the public workshop. Based on the comments heard, it appears that the revised “continuous” label shown in Figure 1 of the April 10, 2006 *Federal Register* notice, along with some minor font modifications, may provide the updates that will be most helpful to consumers. Other labels, while they may be more “eye catching,” have many problems

associated with their use, and since key information is not provided on those designs, can mislead consumers.

2) EEI, along with other stakeholders, agree that extraneous information that has no relation to appliance energy efficiency, such as source energy estimates, should not be included on any revised FTC label. It should be noted that no manufacturer, energy efficiency group, trade association, or other party said anything in favor of source energy at the workshop. In addition, none of the proposed designs, whether from the U.S. or from Europe (as shown in the Federal Register notices), include source energy. Another type of extraneous information that does not belong on an appliance efficiency label is appliance decibel noise level (shown on the sample European label in the November 2, 2005 *Federal Register* notice)

3) In terms of the label designs shown in the Federal Register notices, EEI has the following comments:

a) Figure 1 of the April 10, 2006, notice (“revised continuous label”) may provide the best update option for the FTC. It provides the key information of annual energy usage, the range of energy usage for that class of products, and the estimated annual cost based on a national average cost. If possible, the font size of the “least energy” (539) and “most energy” (698) values should be increased to be close to or match the font size of the rated product’s energy usage (in this case, the 600). EEI suggests that the FTC use this revision to appliance energy efficiency labeling.

Earlier versions of the label did show annual costs based on the varying prices around the US (e.g., the label showed estimated annual operating costs at 4, 6, 8, 10, and 12 cents per kWh). Although this information may have created more “clutter” on the label, it did provide a more accurate estimate of annual operating cost for consumers that knew what the cost of energy was in their area.

b) Figure 2 of the November 2, 2005 *Federal Register* notice (the “European Categorical Label”) has many problems. Although it provides an “A through G” letter grading scale that may be more understandable to certain consumers, the label has extraneous information, such as noise level, and shows other “star” levels for fresh and frozen food volumes. This type of label does not show how the product received an “A” grade, and does not show what energy levels are associated with “D” grades or lower (355 kWh? 370 kWh?). Also, for different appliances, different grades may mean different levels of efficiency (e.g., for one product, the “A” product is 10% more efficient than the “E” product, but for another product, the difference is less than 2 %). Therefore, EEI suggests that the FTC not use this type of label.

c) Figure 2 of the April 10, 2006 *Federal Register* notice (categorical “star” label) also has many problems. On this sample, there is no range of energy usage for the consumer to compare. While the 5 star evaluation system is very recognizable, due to the similarity

with ratings of mutual fund investments, hotels, and restaurants, there many problems with this label. The most significant problem is the determination of how an appliance receives a certain number of stars. For certain appliances, a 5 star rating may only be more efficient by a few percentage points. Also, the FTC would have to determine the rankings on an appliance by appliance approach, most likely after protracted negotiations with manufacturers. Also, there could be misinterpretations, as some consumers could assume that a 5 star appliance, ranked only for efficiency, has a bearing on appliance performance or reliability. If a 5 star “efficient” appliance has a very low reliability or poor performance, the credibility of the appliance label would suffer, and consumers would be likely to ignore the star ranking. Therefore, EEI suggests that the FTC not use this type of label.

d) Figure 3 of the April 10, 2006 *Federal Register* notice shows a continuous label with the key comparison of the percentage “better” than minimum efficiency standards. While this type of design could be applied uniformly across all appliance types, regardless of the efficiency metric used, there are many problems with this label. There may be many appliances where the difference between the “minimum” and “maximum” efficiency is less than 10%, and this type of graph will show many appliances as being less than 5% better than the minimum allowable efficiency. This will hurt energy efficiency, as many consumers may say “why spend so much more money for a savings of 2-3%?”

Also, this type of label does not provide any context from increase efficiency standards. For example, a new central air conditioning system rated at 13.5 SEER is 3.8% higher than the current minimum efficiency standard. However, the new standard took effect in January 2006, and the old minimum efficiency standard (from 1992 to 2005) was 10.0 SEER. The new 13 SEER unit has an efficiency rating that is 35% higher than the old minimum efficiency unit, and the consumer could be saving as much as 35% or more on cooling bills (based on SEER test conditions and the SEER value of the consumer’s current unit), but the appliance label would show only a 3.8% energy efficiency improvement.

This type of label would hurt energy efficiency efforts, especially for appliances where new federal minimum efficiency standards have been increased in the last seven years, and where newer appliances are less than 10% more efficient than the current baselines (but significantly more efficient than the appliance that the consumer would be replacing). Therefore, EEI suggests that the FTC not use this type of label.

4) EEI suggests that the FTC keep its current labeling system for refrigerators and ranges. The current labels do a good job in allowing the consumers to do an “apples to apples” comparison for products, such as side-by-side refrigerators. Adding in other models, such as top freezer units, with different energy efficiency requirements, would be comparing “apples to oranges” and may confuse consumers. Also, comparing units that are vastly different in size (e.g., 24 cubic feet versus 15 cubic feet of volume) would also not be a good comparison.

5) For central heating and cooling equipment, the vast majority of consumers purchase systems indirectly – through HVAC contractors or from home builders. They do not see the product, or the appliance label, until the day of installation or, in the case of new housing, weeks or months after the equipment has been installed. The appliance label can provide a document that verifies what the consumer agreed to purchase, and may help provide documentation for a utility rebate program, a state tax deduction or credit, or federal tax credit. However, the appliance label does not help the consumer at the time that he or she is making the purchase.

For this type of equipment, EEI suggests that the FTC work with home builders and HVAC contractors to create “certified fact sheets” that provide efficiency information to the end-use consumer when they are deciding to install a new system. The certified fact sheet could be based on information downloaded from the ARI or GAMA web sites, and available for use by all home builders and HVAC contractors. It could also incorporate information shown on the current appliance labels as well.

6) In terms of labeling television sets, there are many new technologies being used that have different levels of energy usage. However, as discussed at the workshop, the energy efficiency test procedure for televisions has not been revised since the late 1970’s. Before the FTC could add a label for televisions, a new test procedure would need to be developed by the Department of Energy. As a result of the Energy Policy Act of 2005, DOE is required to update or create new energy efficiency test procedures for 15 separate products or classes of products (such as battery chargers, external power supplies, central air conditioners, central heat pumps, ice-cream freezers, remote-condensing commercial refrigerators, etc) by January, 2008. DOE may not be able to revise the test procedure for television sets in the near future, due to their current workload.

Also, the energy usage pattern of televisions is directly related to the number of sets and occupants per household. Many households have more than one television, and while the “primary” television set is used for 4-6 hours per day, the “secondary” television sets may be used for only 1-2 hours per day, or only a few hours per week. If the energy efficiency test procedure is to be revised, the diversity factor of usage should be taken into account to provide accurate information to consumers.

Other key consumption factors are whether the TV sets are combination units (e.g., a combination TV / VCR / DVD recorder) and the diagonal screen size. It would not make sense to compare the energy usage large screen TV’s (e.g., units over 32 inches diagonal) with smaller screen TV’s (e.g., units under 20 inches diagonal).

One alternative would be to work with EPA and/or DOE to revise the use of the Energy Star labeling for television sets. At the current time, the label is associated with lower standby energy usage. The meaning of the label for TV sets could be expanded to provide information about the Watts drawn when the television is turned on. As the new technologies evolve, the Energy Star label requirements could be updated to provide consumers useful information.

It should also be noted that many of the newer television technologies (such as LCD) use far less energy than traditional CRT televisions of the same size. So even though televisions do not currently have an FTC EnergyGuide label or a federal energy efficiency standard, advanced technology and market forces are helping to make certain televisions much more efficient.

Thank you for your review of our letter. Please let us know if you have any questions or comments.

Sincerely,

Steven Rosenstock, P.E.
Edison Electric Institute

cc: Rick Tempchin, EEI
Michael McGrath, EEI