



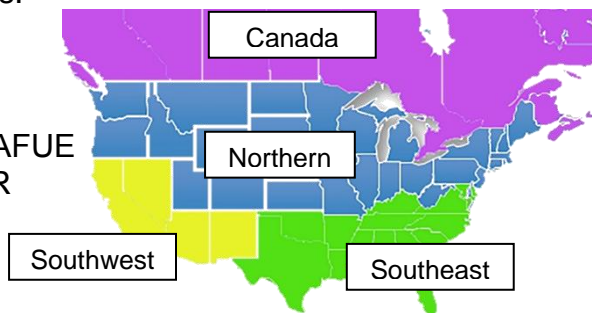
To: All HVAC customers.

Subject: US Regional Efficiency Standards Enforcement Update & AHRI Changes

This letter provides the latest information regarding US Federal Energy Efficiency requirements related to the Regional Standards which are effective January 1, 2015 for all single phase product below 65,000 BTUH. Three phase models are not affected by this regulation.

New Minimum Efficiencies go into effect 1/1/15 in the US for single-phase split systems and packaged units with less than 65,000 BTUH in capacity, as follows:

- Split System Heat Pumps: 14 SEER / 8.2 HSPF
- Packaged Heat Pumps: 14 SEER / 8.0 HSPF
- Packaged Air Conditioners:
 - “Northern” and “Southeast” Regions: 14 SEER / 81% AFUE
 - “Southwest” Region: 14 SEER / 81% AFUE / 11.0 EER
- Split System Air Conditioners:
 - “Northern” Region: 13 SEER
 - “Southeast” Region: 14 SEER
 - “Southwest” Region: 14 SEER / 12.2 EER (11.7 if ≥ 45kBTUH)



US Federal law (10 CFR 430.32 (3) through (5)) specifies these minimum efficiencies based on the equipment’s *installed* location, as follows:

- “Southeast Region”: Alabama, Arkansas, Delaware, Florida, Georgia, Hawaii, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and the District of Columbia.
 - US Territories are considered part of the Southeast Region.
- “Southwest Region”: Arizona, California, Nevada, and New Mexico.
- “Northern Region”: all remaining states not specifically listed above.

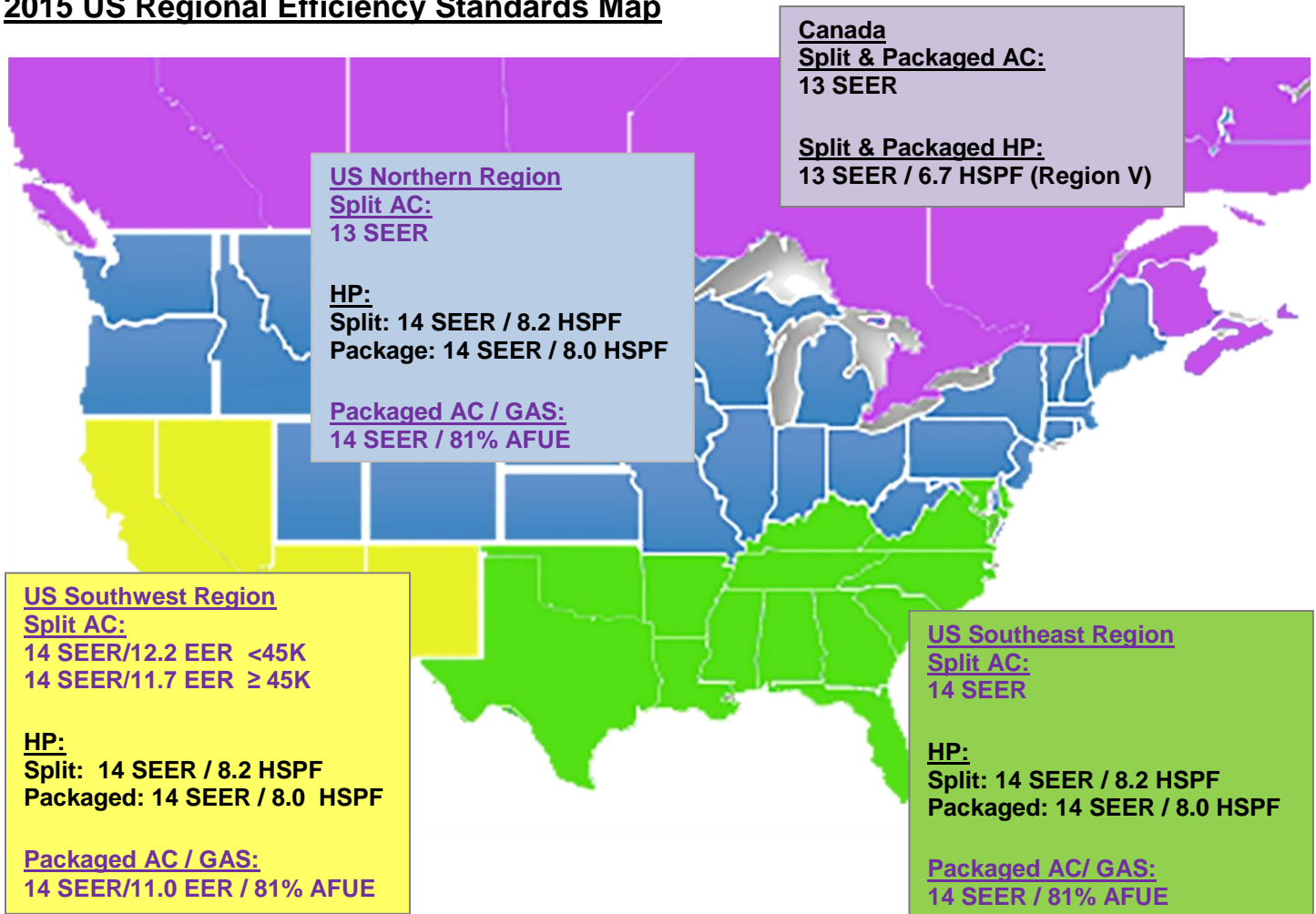
Be aware that two of the factors affecting whether any given system is legal 1/1/15 and later are:

- The *installed* location (not the sales location).
- The manufacture date of the outdoor unit (before or after 1/1/15).

These US Regional Minimum Efficiencies apply regardless of the type of refrigerant used in the system. The minimums are the same for Dry Ship R-22 condensers and R-410A condensers.

The Minimum Efficiency for Canada will remain 13 SEER for all Split and Packaged AC and HP. The Canada regulations are not expected to increase to 14 SEER until the end of 2015.

2015 US Regional Efficiency Standards Map



Sell-Through of Existing Inventory

As part of the negotiated enforcement of these new US Regional Efficiency Standards, the Industry and the DOE have agreed to a sell-through period for existing 13 SEER inventories that are manufactured on or before December 31, 2014 as follows:

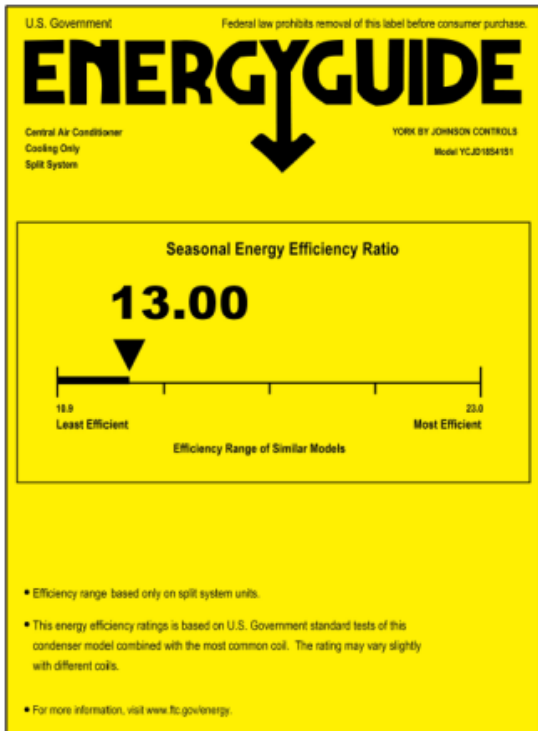
- Split System Heat Pumps: no time limit.
- Packaged Heat Pumps: no time limit.
- Packaged Air Conditioners: Must be *installed* before July 1, 2016.
- Split System Air Conditioners: Must be *installed* before July 1, 2016.

For Split System Air Conditioners *installed* in the Southeast and Southwest Regions, outdoor units manufactured before 1/1/15 may be installed as 13 SEER systems, while outdoor units manufactured 1/1/15 or later must be installed as 14 SEER systems. The same is true for Split System Heat Pumps for all regions.

13 SEER Split System Air Conditioners will continue to be manufactured for sale and *installation* in the Northern Region as part of the Regional Efficiency Standards effective 1/1/15. 13 SEER Split System Heat Pumps will no longer be manufactured after 12/31/14, but Canada-only matchups that are rated above 13 SEER may continue to be provided.

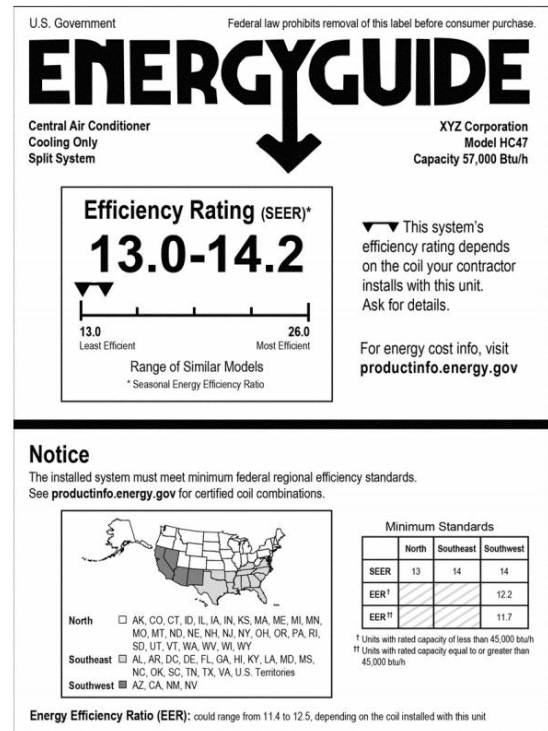
US FTC Hang Tag Updates

Current FTC Hang Tag



Proposed Updated FTC Hang Tag

46990 Federal Register / Vol. 79, No. 155 / Tuesday, August 12, 2014 / Rules and Regulations



Sample Label 7 – Split-system Central Air Conditioner (models manufactured after the compliance date of DOE regional efficiency standards in 10 CFR part 430)

US FTC Hang Tag “ENERGYGUIDE” Label Update

Beginning 1/1/15, the FTC Hang Tag format will change to one similar to the figure above right.

- The SEER value will be shown as a range, rather than as a single number.
- A map will be included, showing the Regions in which the product is approved for installation.
- The FTC Hang Tag color will continue to be yellow like it is today.

Product Labeling Update

Beginning on 1/1/15 changes will be made to the product labeling to make it easier to identify units that were produced after the effective date of the US Regional Efficiency Standards.

- The color of the carton label background will be changed from white to light green.
- The unit’s code plate will say if that unit is prohibited from being installed in any US Region.

Again, please be aware that the US Regional Efficiency Standards apply based on where a unit is installed, not where it is sold or shipped. And that different rules apply based on whether the unit is built in 2014 or 2015.

Proposed Enforcement of US Regional Efficiency Standards

Our vendors have been active participants in the Appliance Standards Rulemaking Advisory Committee (ASRAC), which has been tasked with developing consensus enforcement rules for the US Regional Efficiency Standards. This Committee provided their formal recommendation to the US Department of Energy (DOE) on 10/24/14 for review. The DOE will review the recommendation and issue a Notice of Proposed Rulemaking (NOPR), scheduled before the end of November 2014, representing their planned official enforcement rules.

The significant points of the ASRAC enforcement proposal are listed below for guidance. The DOE NOPR may have different enforcement rules.

Proposed Rules Regarding Approved Systems and Installations

- In order for an AC or HP condensing unit (outdoor unit) to be *installed* in a Region, the least efficient approved combination must meet the requirements in that Region. In other words:
 - The unit must have a hang tag that meets or exceeds that Region's minimum efficiency.
 - Example: A 13 SEER Northern Region AC cannot be installed in the Southeast Region with a high efficiency indoor unit, even if the system is rated at or above 14 SEER.
 - This is true for factory (OEM) indoor matches and also for third party (ICM) indoor matches.
 - As a result of this proposal, JCUP is making significant updates to system matches listed in the online AHRI database and in the Technical Guides and UST. See the attached excel files for a line-by-line explanation of the changes, which are planned to take effect in December 2014.
- "Installation" is the act of making the refrigerant and/or electrical connections to make a unit operational. This is significant because the law is based on the equipment *installation*.

Proposed Responsibilities

Training

- Manufacturers are responsible for training and educating Distributors and Contractors about the US Regional Efficiency Standards and Enforcement.
- Distributors are responsible for training and educating Contractors about the US Regional Efficiency Standards and Enforcement.
- Contractors are responsible for training and educating their employees about the US Regional Efficiency Standards and Enforcement.

Recordkeeping

For units *installed* in the Southeast and Southwest Regions, records must be kept through the sales channel that include:

- Unit Manufacturer, Model Number, and Serial Number (if applicable)
- Seller Name, Address, and Phone Number, and Date purchased
- Purchaser Name, Address, and Phone Number, and Date sold
- Unit installation street address, city, state, and ZIP code (for Contractors only)

Manufacturers will be required to keep these records for 60 months, Distributors for 54 months, and Contractors for 48 months and must make these records available upon request.

Proposed Penalties for Routine Violators

The DOE will make it very difficult for a Manufacturer, Distributor, or Contractors that routinely violates the law to remain in business. If non-compliant installations are investigated and result in a finding of violation, the following steps will be required:

- All non-compliant installations must be replaced with compliant installations
- The violator will no longer be allowed to purchase equipment from the current OEM or Distributor.
- The violator will be listed on the DOE's "Routine Violator" list and no Distributor or OEM will be allowed to sell equipment to the violator.
- Manufacturers may be fined up to \$200 per unit sold to the violator.

The above summary represents current Style Crest understanding of the current state of the US Regional Efficiency Standards implementation and Enforcement. This letter is part of Style Crest's good faith effort to inform and educate our customers throughout the sales channel about this transition. The final form of the Enforcement Rule issued by the DOE may be different than the proposal summarized above.

We will provide updates as new information from the US Department of Energy and the US Federal Trade Commission related to this Rulemaking and Enforcement becomes available.