

# North America HVAC News December 2008



International Market Strategy

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## USA: Research on the "New Technologies" Markets

BRG CONSULT has recently started to research the North American "new technologies" markets. Products covered in this report include:

### **Heat Pumps**

- Geothermal Heat Pumps
- Water Loop Heat Pumps
- Air-to-Water Space Heating Heat Pumps
- Water Heating Heat Pumps
- Air-to-Air Heat Pumps

### **Solar Thermal**

- Solar Storage Tanks
- Flat Plate Collectors
- Vacuum/Evacuated Collectors
- Unglazed Collectors

### **Solid Fuel Boilers**

- Fossil Fuel/Universal Boilers
- Logwood/Bifuel Boilers
- Woodchip Boilers
- Pellet Boilers
- Other Solid Fuel Boilers

The report analyzes and covers the following:

- Market Trends and Forecasts
- Legislation
- Focus on 2007 and 2008 Markets
- Average Prices and Values
- Product Segmentation
- Distribution Analysis and Sales by End Use Segment
- Manufacturers Market Shares
  
- Background Information
- Distribution Section
- Manufacturers and Distributor Profiles

For more information please contact Marie Vermeulen at BRG CONSULT NORTH AMERICA (mvermeulen@brgconsult.com)

Source: BRG Consult North America



## USA: 25,000+ Attend Greenbuild, Green Building Could Triple By 2013

19 November 2008 - More than 25,000 attended the U.S. Green Building Council's Greenbuild International Conference and Expo in Boston, Nov. 19-21. The theme of this year's expo was "Revolutionary Green: Innovations for Global Sustainability." Phoenix will be the site of the next GreenBuild, scheduled for Nov. 11-13, 2009.

The U.S. green building market is accelerating at a dramatic rate, according to McGraw-Hill Construction's "Green Outlook 2009: Trends Driving Change" report, released Nov. 18 at the Greenbuild International Conference and Expo in Boston. The value of green building construction starts was up five-fold from 2005 to 2008 (from \$10 billion to \$36-\$49 billion), and could triple by 2013, reaching \$96-\$140 billion.

McGraw-Hill Construction's Green Outlook 2009 estimates the value of the U.S. green building market over the next five years, based on data found in the McGraw-Hill Construction Network — powered by the Dodge database, construction industry surveys, data analysis and analysis of other indicators, including increases in LEED certification and government regulation.

"The business opportunities afforded by green building, even in the midst of a global economic crisis, are real and recognized by industry players," said Harvey M. Bernstein, vice president of industry analytics, alliances and strategic initiatives, McGraw-Hill Construction. "Furthermore, green building has great potential to help tackle unemployment through green jobs, and can address other societal issues, such as creating healthier places where we live and work."

Green building is the bright spot in an otherwise tough economy. U.S. Green Building Council members report green building to be less affected by the down market compared to non-green building, and homebuyers are willing to pay more for a green home. Perceived economic benefits are driving green building, including higher revenues, lower lifecycle costs and lower operating costs, but builders and buyers are also motivated by health benefits, new government regulation and pressure from global competition.

McGraw-Hill Construction attributes green building's rapid expansion to growing public awareness, an increase in government regulations and recognition of bottom-line advantages. Since 2005, the perceived benefits of green building have increased and differentiated as people become more knowledgeable about green building. The decrease in operating costs is the most often cited benefit (13.6 percent, up from 8-9 percent in 2005), followed by the increase in building values (10.9 percent, up from 7.5 percent in 2005).

Source: Plumbing & Mechanical



## USA: LOWE'S Cuts Forecast as Profit Drops

17 November 2008, New York - LOWE'S COS. on Monday cut its profit forecast for the year after reporting a 24% drop in fiscal third-quarter profit, hurt by consumers paring back on discretionary and big-ticket spending in the face of an uncertain economic outlook.

The No.2 home improvement retailer said net income in the quarter ended Oct. 31 fell to \$488 million, or 33 cents a share, from \$643 million, or 43 cents, a year earlier. Sales rose 1.4% to \$11.7 billion.

The Mooresville, North Carolina-based company forecast fourth-quarter profit of 8 cents to 16 cents a share, missing Wall Street expectations, with same-store sales expected to decline 5% to 10%.

For the year, LOWE'S pegged its profit estimate at \$1.46 to \$1.54 a share with comparable-store sales declining as much as 7%. That fell short of its previous projection of profit of as much as \$1.56.

Analysts, on average, expected the company to earn 28 cents a share in the third quarter, 18 cents in the fourth quarter and \$1.51 for the year, according to FactSet Research. LOWE'S shares dropped 1.3% in pre-market trading.

Sales got a pick-up in demand from home maintenance and outdoor projects as well as from hurricane-related boost in the Gulf Coast, but they weren't enough to offset the negative impact of consumers continuing to delay discretionary and bigger-ticket purchases that led to a drop in sales at stores open at least a year, LOWE'S said.

While oil prices have come down and the housing turnover showed some initial signs of stabilization, the worsening economic outlook led to a decline in sales trends in the last week of October that has continued into November, LOWE'S said.

"We expect continued, broad-based external pressures on our industry, as rising unemployment, falling home prices, tight credit and volatile equity markets continue to erode consumer confidence and impact sales," said Chief Executive Robert Niblock. LOWE'S is controlling expenses and has said it would pare back its store-opening plan.

The fallout from the housing market's collapse and the downturn in the U.S. economy also are expected to hurt LOWE'S larger rival HOME DEPOT INC., which is expected to say Tuesday that profit fell to 38 cents a share, according to the average estimate of analysts surveyed by FactSet Research. HOME DEPOT also was estimated to have declining sales at stores open at least a year, analysts said.

Both retailers have curtailed their store-opening plans, with HOME DEPOT abandoning new openings in its pipeline.

The housing-market downturn and battered consumer confidence have lowered demand for cabinets, countertops and other big-ticket home-improvement purchases, especially in weak housing markets such as California and Florida.

Source: MarketWatch



## USA: CARRIER Launches New Software for LEED EA Analysis

Nov. 20, 2008 -- CARRIER CORP., a subsidiary of UNITED TECHNOLOGIES CORP., has released version 4.40 of their E20-II Hourly Analysis Program (HAP) software. HAP v4.40 provides significant new features making Leadership in Energy and Environmental Design Energy and Atmosphere (LEED(R) EA) Credit 1 analysis faster and easier. Version 4.40 also greatly expands the "wizard" automation features so energy cost performance of heating, ventilation and air conditioning (HVAC) designs can be compared more rapidly during schematic design. A "wizard" guides the user through creation of the energy model, asking a short series of high-level questions and then automatically filling in the details with intelligent defaulting.

The innovative technology embedded in HAP streamlines the steps needed to perform a LEED EA Credit 1 analysis and allows multiple heating, ventilation, and air-conditioning (HVAC) system alternatives. The key to this productivity enhancement is tailoring the software features to the LEED EA Credit 1 analysis process. For example, the LEED EA Credit 1 summary report mimics the format of the existing online template, and new input and calculation features take into account requirements outlined by ASHRAE Standard 90.1 Appendix G.

The new wizard technology, including a new HVAC Equipment Wizard and upgraded Building Wizard features, proves useful for both LEED projects and general energy analysis. "These wizard features can now generate input data for an energy analysis in a matter of minutes, allowing quick comparisons of multiple HVAC system alternatives in the schematic design phase of a project," stated Larry Schaefer, software systems manager, BUILDING SYSTEMS AND SERVICES.

"We depend on well-designed engineering software and readily available technical backup. The new version of HAP easily meets these requirements," said Jim Reynolds, president, PSF MECHANICAL, INC. of Seattle, Washington. "The software allows us to make intelligent decisions by providing ASHRAE and LEED analysis and it is accepted by our clients, local jurisdictions and the U.S. Green Building Council as a basis for modeling and decision making."

"HAP with wizard technology demonstrates CARRIER's continued commitment to designing innovative products and tools to support the development of sustainable, high performance buildings," stated Kelly Romano, president, CARRIER BUILDING SYSTEMS AND SERVICES.

Source: [www.marketwatch.com](http://www.marketwatch.com)



## USA: CARRIER Acquires NORESKO to Expand Energy Solutions Capabilities

FARMINGTON, Conn., Nov. 21 -- CARRIER CORP., the world's largest provider of heating, ventilation, air-conditioning and refrigeration solutions, and a unit of UNITED TECHNOLOGIES CORP., has acquired NORESKO, a leading independent energy services company. The acquisition was completed on Nov. 20. Terms of the deal were not disclosed.

Established in 1984, NORESKO has implemented thousands of efficiency and infrastructure upgrade projects that reduced energy and water consumption and lowered operating expenses for a wide range of customers including federal, state, and municipal agencies; educational institutions; hospitals; utilities; and commercial and industrial facilities. NORESKO is headquartered in Westborough, Mass., and has 20 offices in the U.S.

"NORESKO complements the depth and breadth of CARRIER's portfolio and is an integral part of our strategy to offer sustainable, comprehensive, end-to-end building solutions," said Kelly Romano, president, CARRIER BUILDING SYSTEMS AND SERVICES. "We are able to offer our customers sustainable products, services and solutions that lower total cost of ownership and deliver high performance buildings." The acquisition of NORESKO adds to CARRIER's commitment to environmental leadership and further reinforces why CARRIER is the only air-conditioning systems manufacturer to be named an Environmental Protection Agency Climate Leader.

"CARRIER greatly admires NORESKO," said Erv Lauterbach, president, CARRIER BUILDING SYSTEMS AND SERVICES North America Field Operations. "As a founding company in the energy solutions sector with strong customer relationships, we are pleased to have the employees of NORESKO become part of the CARRIER team, and look forward to serving customers with a more comprehensive solutions offering."

Neil Petchers, president and CEO, NORESKO, said, "CARRIER's acquisition of NORESKO will allow us to expand our customer base as well as deliver increased value to our customers."

Source: [www.examiner.com](http://www.examiner.com)



## USA: BURNHAM HOLDINGS, INC. Announces 3rd Quarter & 9 Months Results and Declares Dividends

9 October 2008 - BURNHAM HOLDINGS, INC., a leading manufacturer of boilers, furnaces, radiators, air conditioning systems, and related accessories for residential, commercial and industrial applications, today reported its financial results for the period ended September 28, 2008.

Third quarter and year-to-date sales were \$62.9 million and \$149.8 million, respectively. Prior year third quarter and year-to-date sales were \$59.8 million and \$154.2 million, respectively. Sales for the third quarter have increased as compared to a year ago. The residential portion of our business led that increase as it enters the heating season. The increase was achieved despite the ongoing economic conditions that continue to dominate the national news, namely declining housing and real estate markets, uncertainty in the financial markets, and tightening of credit. Our commercial businesses reported sales for the quarter similar to last year, which was a strong quarter. Although current conditions remain challenging, we are optimistic about longer-term prospects for the business. Existing boilers will continue to be replaced over time due to age or operating costs. Our many new high-efficiency product introductions, for both portions of our business, are considered some of the best on the market and have been well received by contractors, specifiers, and building owners. These are adding to our already powerful lineup of products across all our residential and commercial brands that position us well in the respective markets.

The income for the third quarter was \$2.5 million or \$0.56 per share, compared to prior year's \$1.7 million or \$0.37 per share. Year-to-date income was \$277 thousand or \$0.06 per share, compared to prior year's \$1.2 million or \$0.26 per share. As we have discussed in our prior reports, the BURNHAM group of companies, like most users of steel products in the United States, has experienced substantial cost increases for raw steel and steel related products this year, which has negatively impacted our gross margin. We have announced product price increases within all of our businesses to mitigate these cost impacts, while at the same time being cognizant of our need to remain cost competitive in this difficult market. Selling, administrative, and general expense was lower in dollars, and as a percentage of sales, compared to the prior year (both for the quarter and year-to-date) and is indicative of actions taken by BURNHAM to lower its cost structure. Other income (expense) is favorably lower for the quarter and year-to-date compared to last year because of our lower debt levels and borrowing rates, in addition to favorable mark-to-market adjustments on our interest rate agreements.

The company's balance sheet remains strong with high liquidity and working capital at a level consistent with the business activity. Inventory levels are lower than last year at this time despite the sharp increase in raw material costs, increases resulting from our new product introductions, and increases within our commercial businesses that have experienced growth. We are able to maintain adequate inventory levels, with a resulting stronger cash flow, because of the increased production flexibility provided by the facility expansions and equipment improvements made over the last several years. Total debt at September 28, 2008 is \$43.4 million, or \$6.0 million lower than at this point last year, and as a percentage of total capital (debt and equity) is 32.9% versus 38.1% last year. BURNHAM's long-term financing arrangements are a combination of Industrial Revenue Bonds ("IRB's"), State-assisted equipment loans, and a Revolving line of credit (committed through mid-2010). The IRB's and line of credit are with multiple financial institutions and as of September 28, 2008, BURNHAM is in compliance with all covenants.



## BRG Consult Newsletter

### *North America HVAC News December 2008*

At its meeting on October 9, 2008, BURNHAM HOLDINGS, INC.'s Board of Directors declared a quarterly common stock dividend of \$0.17 per share payable December 1, 2008, with a record date of November 7, 2008; and a semi-annual preferred stock dividend of \$1.50 per share payable December 29, 2008 with a record date of December 8, 2008.

Source: [www.burnhamholdings.com](http://www.burnhamholdings.com)



## USA: NORTEK Reports 3rd-Quarter Results

Nov. 11, 2008 -- NORTEK, INC. ("NORTEK"), a leading diversified global manufacturer of innovative, branded residential and commercial ventilation, HVAC and home technology convenience and security products, today announced it achieved third-quarter sales of \$583 million despite the sustained adverse conditions in the U.S. housing market.

In the third quarter of 2008, NORTEK recorded an estimated non-cash goodwill impairment charge of \$600 million resulting from the deterioration of the overall economic cycle impacting NORTEK's end markets which negatively impacted long-term cash flow forecasts. The impairment charge has no impact on NORTEK's current liquidity or debt covenant measurements.

Key financial highlights for the third quarter of 2008 included:

- Net sales of \$583 million compared to the \$602 million recorded in 2007.
- An operating loss of \$579.6 million (including the impact of the \$600 million estimated non-cash goodwill impairment charge) compared to operating earnings of \$37.6 million in the third quarter of 2007.
- Adjusted operating earnings of \$20.4 million for the quarter ended September 27, 2008.
- Depreciation and amortization expense of \$17.1 million compared to \$15.8 million in last year's third quarter.
- Acquisitions contributed approximately \$1.1 million in net sales and reduced operating earnings by \$0.4 million for the quarter ended September 27, 2008.

As of September 27, 2008, NORTEK had approximately \$80 million in unrestricted cash, cash equivalents and marketable securities and had \$35 million of borrowings outstanding under its revolving credit facility.

Key financial highlights for the nine months of 2008 included:

- Net sales of \$1,770 million compared to the \$1,799 million recorded in the first nine months of 2007.
- An operating loss of \$509.3 million (including the impact of the \$600 million estimated non-cash goodwill impairment charge) compared to operating earnings of \$147.2 million in the first nine months of 2007.
- Adjusted operating earnings of \$90.7 million for the nine months ended September 27, 2008.
- Depreciation and amortization expense of \$53.1 million compared to \$46.9 million in the first nine months of 2007.
- Acquisitions contributed approximately \$20.7 million in net sales and reduced operating earnings by \$3.2 million for the nine months ended September 27, 2008.

Richard L. Bready, Chairman and Chief Executive Officer, said, "NORTEK's third-quarter performance, reflects the continuing difficult business conditions in the Company's core markets. NORTEK continues to focus on cost-reduction initiatives, manufacturing efficiency improvements and strategic sourcing actions, which, together with conservation of cash, will partially offset the effects of lower volume and higher commodity costs."

Mr. Bready added, "The liquidity crisis and the mortgage problems have driven housing starts down to a level of less than 1 million starts. Additionally, challenged consumer confidence has adversely impacted consumer spending for home remodeling and improvement projects. While we expect the



difficult housing market will continue into 2009, NORTEK is proactively reducing its cost structure and focusing on cash generation and rationalizing its businesses. NORTEK plans to maintain its leadership position in these difficult markets while remaining poised for participation long-term in improving home improvement and residential building markets."

The company indicated that the non-cash goodwill impairment charge is an estimate based on the company's current long-term cash flow forecast which reflects the deterioration in the housing and financial credit markets. NORTEK is in the process of finalizing the annual testing with its independent third-party valuation specialist. NORTEK does not expect the non-cash goodwill impairment charge to have an adverse impact on its current cash position, cash flow from operating activities, nor to have an adverse impact on future cash expenditures.

NORTEK (a wholly owned subsidiary of NORTEK HOLDINGS, INC., which is a wholly owned subsidiary of NTK HOLDINGS, INC.) is a leading diversified global manufacturer of innovative, branded residential and commercial ventilation, HVAC and home technology convenience and security products. NORTEK offers a broad array of products including: range hoods, bath fans, indoor air quality systems, medicine cabinets and central vacuums, heating and air conditioning systems, and home technology offerings, including audio, video, access control, security and other products.

Source: MarketWatch



## USA: RIVERSIDE CO. Buys EEMAX

1 October 2008 - The RIVERSIDE COMPANY has acquired EEMAX INC., an Oxford, Conn.–based maker of tankless electric water heaters. No financial terms were disclosed.

The RIVERSIDE COMPANY recognized the simmering market for electric tankless water heaters and acquired EEMAX, INC., the leading manufacturer of the devices for commercial, industrial and residential markets. RIVERSIDE's deal flow has kept a steady pressure as EEMAX is the 25th acquisition for the firm this year.

Tankless electric water heaters provide on-demand hot water without continually storing and heating water. EEMAX products are used in single and multiple hand-wash sinks, emergency eyewash and drench showers, dishwashers, whole homes, boosters for specific applications and other instances where water is heated at point of use. The company's unique heating-chamber design is patented and its products are sold through independent representatives, plumbing wholesalers, original equipment manufacturers, modular building manufacturers, exporters and retail outlets. Founded in 1988 and headquartered in Oxford, Connecticut, EEMAX sells to customers in 30 countries around the world.

"EEMAX is an example of our emphasis on fast-growing companies," said Loren Schlachet, RIVERSIDE Managing Partner. "Demand for tankless water heaters is on the rise due to their superior efficiency in the face of rising energy costs. RIVERSIDE plans to continue EEMAX's growth by expanding distribution, increasing the company's product portfolio and broadening its customer base. In addition, the attractiveness of the device's smaller size, longer life and 'green' efficiency allows EEMAX to tap into the rising demand for tankless water heaters."

EEMAX joins several of RIVERSIDE's portfolio companies that offer 'green' products, such as SIGG Switzerland, a manufacturer of aluminum drinking bottles. In addition, RIVERSIDE has recently added a sustainability consultant to its "Toolkit" of partners available to assist the firm's portfolio companies in addressing these efforts.

"Tankless water heaters are poised to hit the mainstream, thanks to recent technological advances and industry dynamics," said David Corrado, EEMAX President and CEO. "We are looking forward to RIVERSIDE's support to raise the profile of EEMAX and increase market share via expanding the market."

"In Europe and Asia, electric tankless heaters are widely accepted in commercial, industrial and residential settings," said Schlachet. "Conversely, these products are primarily found in commercial settings in the United States. "The worldwide appeal and RIVERSIDE's experience in building companies internationally are a great fit for the growth of EEMAX.

Working with Schlachet on the acquisition from RIVERSIDE were Alan Peyrat, Vice President; Jeff Tobin, Operating Partner; and Analysts Beth Lesniak and Kenny Shum. The transaction was sourced by Robert Landis, Partner, who leads the firm's North American Origination team, and equity was provided by RIVERSIDE Micro-Cap Fund I ("RMCF I"). CharterOne financed the transaction and Consilium Partners advised the sellers

**The RIVERSIDE COMPANY** ([www.riversidecompany.com](http://www.riversidecompany.com) or [www.riversideeurope.com](http://www.riversideeurope.com))



The RIVERSIDE COMPANY is the largest global private equity firm focused on the smaller end of the middle market (“SEMM”) and is one of the industry’s most experienced leveraged buyout investors. RIVERSIDE specializes in investing in premier SEMM companies (those valued up to \$150 million) and partners with strong management teams to build companies through acquisitions and value-added growth. Since 1988, the firm has invested in 201 transactions with a total enterprise value of \$4.4 billion. Its current portfolio in North America, Europe and Asia numbers 68, with combined annual sales of \$3.2 billion, EBITDA of \$517 million and more than 14,000 employees. RIVERSIDE offers the resources to complete acquisitions smoothly and in as little as 45 days - thanks to its sizeable pool of capital under management (more than \$2 billion in nine funds), over 180 professionals in 18 offices (Atlanta, Brussels, Budapest, Chicago, Cleveland, Dallas, Eindhoven, Hong Kong, Los Angeles, Madrid, Munich, New York, Prague, San Francisco, Seoul, Stockholm, Tokyo and Warsaw), and long-standing relationships with partner lenders. Six of nine of the firm’s mature vintages are currently top quartile, and the firm’s investors include the world’s leading pension funds, endowments, funds-of-funds, insurance companies and banks.

**EEMAX, INC** ([www.eemaxinc.com](http://www.eemaxinc.com))

Since 1998, EEMAX tankless hot water heaters have been used in industrial, residential and commercial applications. The heaters offer hot water on demand by heating water at the point of use instead of storing hot water. The company’s patented common heating chamber and interchangeable heating and electric control components make EEMAX hot water heaters the number one choice for customers in 30 countries around the world.

Source: [www.equityhelpdesk.com](http://www.equityhelpdesk.com)



## USA: COMFORT SYSTEMS Increases Stock Repurchase Program

Nov. 17, 2008 -- COMFORT SYSTEMS USA, INC., a leading provider of commercial, industrial and institutional heating, ventilation and air conditioning ("HVAC") services, today announced that its Board of Directors has approved an amendment to the company's stock repurchase program to increase the shares authorized and remaining as available to purchase back up to 1,000,000 shares by authorizing the company to acquire up to 964,316 additional shares of its outstanding common stock. The company's existing stock repurchase program had previously authorized the repurchase of up to 2,888,343 shares of the company's outstanding common stock.

Through November 13, 2008, the company had repurchased 2,852,659 shares of the company's common stock at an aggregate price of \$33,950,636. This extension of the stock repurchase program will "top off" the plan and permit the company to repurchase up to an additional one million shares of its currently outstanding common stock beyond what had already been purchased as of November 13, 2008.

The share repurchases will be made from time to time at the Company's discretion in the open market or privately negotiated transactions as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The Company expects that the share repurchases will be financed with available cash. The Company's Board of Directors may modify, suspend, extend or terminate the program at any time.

COMFORT SYSTEMS USA is a premier provider of business solutions addressing workplace comfort, with 74 locations in 59 cities around the nation.

Source: MarketWatch

## USA: OECD Says World has Slipped into Recession

Nov. 14, 2008. The world's developed economies are in recession and will shrink further in 2009, according to the Organization for Economic Cooperation and Development (OECD). In its latest economic forecasts, the group said gross domestic product was likely to fall by 0.3% in 2009 for its 30 member countries, representing democracies with market economies. It said the U.S. economy would contract by 0.9%, Japan's by 0.1% and the euro area by 0.5%. Jorgen Elmeskov, director of the policy studies branch and the OECD's economics department, said the picture was uncertain but "projections point to a protracted downturn" with recovery not likely before the second half of next year, with the U.S. leading the way out of recession.

The OECD forecast also predicts economies in all 30 OECD countries will contract by 0.3% in 2009. Unemployment, currently at 5.9% in OECD countries, is predicted to climb to 6.9% in 2009 and 7.2% in 2010.

Source: [www.ApplianceMagazine.com](http://www.ApplianceMagazine.com)



## Michigan: Michigan Passes Energy Legislation With EERS

10 November 2008, Lansing, Mich. — The American Council for an Energy Efficient Economy (ACEEE) reported that the Michigan legislature passed a significant utility Energy Efficiency Resource Standard (EERS) as a part of comprehensive energy legislation. The bill (SB213) contains an EERS that starts with an annual electricity savings requirement of 0.3 percent of total sales in 2009, ramping up to 1 percent per year by 2012, and continues at that level each year thereafter (0.75 percent for natural gas utilities). Michigan joins 17 other states that have EERSs, according to ACEEE's latest tally.

ACEEE Utilities Program Director, Dr. Martin Kushler, who resides in Michigan, was extensively involved in developing this new state policy. After the legislation passed both chambers, he noted, "This is a big step forward for Michigan, and personally, I'm pleased that my home state will no longer be known as the 'no-program control group' for energy program evaluations in other states."

The energy-efficiency components of this legislation were patterned after the analyses conducted as part of the "Michigan 21st Century Electric Energy Plan" that was released by the Michigan Public Service Commission in 2007. That plan concluded that energy efficiency of this magnitude would save Michigan ratepayers over \$3 billion, and avoid the need for two additional major base load power plants.

This new Michigan legislation also authorizes "shareholder incentives" for utilities that exceed the energy-savings requirements, and contains a provision allowing for "decoupling" for natural gas utilities that provide energy-efficiency programs. The legislative package also includes a renewable portfolio standard (RPS), which ramps up to 10 percent of total sales by 2015.

Source: ACHR News



## USA: Housing Starts Seen Lowest in Over 60 Years

16 November 2008, WASHINGTON -- Few observers have ever seen anything like the economic data that will be released in the coming week, with the consumer price index and housing starts each expected to breach records dating back to the late 1940s.

With the global economy descending into a nasty recession, the October data could send a chill down the spine of policymakers, who are pulling out all the tricks in their tool kit to prevent a wider meltdown.

As everyone knows, this downturn began in the housing sector, with a global credit bubble inflating US home prices, and homebuilders responding with a frenzy of construction. Now that the bubble has collapsed, everyone is looking to housing for any sign that the worst may be over. Treasury Secretary Henry Paulson said last week that "market turmoil will not abate until the biggest part of the housing correction is behind us."

It's not behind us yet.

In October, credit markets essentially stopped working, which constrained potential home buyers' ability to find a mortgage. For home builders, it was the latest in a thousand cuts that have destroyed confidence about their industry.

### Housing

After housing starts tumbled to a seasonally adjusted annual rate of 817,000 in September, the second-lowest level on record, economists surveyed by MarketWatch expect starts to fall to 776,000 in October, a post-war low that would knock out a record set in January 1991.

"It's natural to wonder how much more room they still have to go," wrote Meny Grauman, an economist for CIBC World Markets. "History and the natural rate of household formation would suggest that we are near the bottom of a two-year slide, but the outstanding stock of new homes and the overall health of the economy point to even further declines ahead."

The vacancy rate for homes typically occupied by their owner was at 2.8% in the third quarter, near the all-time record and almost twice as high as during normal times.

"Household formation has slowed noticeably as people losing their jobs or homes to foreclosures move in with relatives," wrote Brian Bethune and Nigel Gault, U.S. economists for IHS Global Insight. It's "one more obstacle that will prolong the downturn in housing starts."

"We expect builders to continue to cut construction through the middle of next year," wrote economists for Barclays Capital.

On Tuesday, the National Association of Home Builders is also scheduled to release its monthly survey of builder sentiment. The MarketWatch survey expects the index to remain at a record-low 14 in November, indicating that only about one in seven builders is optimistic about the market over the next six months.

### Inflation vs. Deflation



As the economic slump has spread around the globe, commodity prices have plummeted. The Federal Reserve no longer considers inflation to be much of a worry, and no wonder: The consumer price index is expected to fall 0.9% in October, the biggest one-month decline since the government began tracking the CPI in 1947.

Retail gasoline prices fell a record 17% in October as the global price for crude oil collapsed. Prices have continued to fall in November, signaling another big drop in the CPI.

After peaking at 5.5% in July, the year-over-year increase in the CPI will likely dip below 4% in October and go below 2% by the middle of next year, said CIBC's Grauman.

Core inflation -- which excludes food and energy prices -- is expected to rise 0.1% in October. On a year-over-year basis, the core CPI should moderate from 2.4% to 1.3% by the end of next year, said economists for UBS.

### **Output**

Industrial production should show a modest rebound in October, recovering from the impact of hurricanes in September. The survey tips output rising 0.5% in October after plunging 2.8% in September.

Refining and chemical output should bounce back, "but the rest of manufacturing remains in a headlong retreat," wrote Gault and Bethune. The survey from the Institute for Supply Management and the regional surveys suggest output is falling rapidly.

"The outlook for industrial production is worrisome as slower export activity due to a stronger US dollar and slower global growth may limit improvement in the second half of 2008 and early 2009," wrote economists for Wachovia.

Source: MarketWatch



## Canada: Industry Forecast Shows Decreases for Commercial, Residential Air Conditioning and Residential Furnace Sales in 2009

6 November 2008, Mississauga, Ontario – The HRAI annual statistics forecast for the year 2009 projects that shipments of commercial air conditioning will decrease by 2%, residential air conditioning will also decrease by 5% while residential furnace shipments will decrease by 6%, over the projected 2008 figures.

The 2007 actuals, projected 2008 and forecasted 2009 figures are as follows:

- Commercial air conditioning: Actual shipments in 2007 were 45,458. The projected year-end figure for 2008 shows decrease of 1% to 45,000 while the forecast for 2009 projects a 2% decrease to 44,000.
- Residential air conditioning: Compared to the actual 2007 shipments of 227,349 the projected 2008 figure decreases by 2% to 223,000. The 2009 forecast decreases over 2008 by 5% to 212,000.
- Residential furnaces: Actual 2007 shipments were 318,964. The projected year-end figure for 2008 shows a decrease of 7% to 297,000. The forecast for 2009 decreases over 2008 by 6 % to 280,000.

NOTE: “Residential air conditioning” means split system air conditioning and heat pumps up to 5 tons, “commercial air conditioning” means rooftops (combination heat/cool), packaged cooling and packaged heat pumps; “furnace” means residential forced air furnaces of all types (gas, oil, electric and combination).

The HRAI Manufacturers Division is a national association representing companies who manufacture products for the Canadian heating, ventilation, air conditioning and refrigeration (HVACR) market. The Manufacturers Division is a Division of the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI). HRAI, established in 1968, is the umbrella association for HVACR manufacturers, wholesalers and contractors who provide to Canadians the products and services for indoor comfort and essential refrigeration processes.

Source: HRAI



## USA: Credit Crisis Hits Biggest End-Users, the Solar-Panel Makers

22 November 2008, San Francisco -- Prices of polysilicon, already pressured by a coming supply glut, are tumbling fast as the credit crisis drives down demand for the solar panels that are the biggest users of the raw material.

Polysilicon -- a sand-derived crystalline material that helps turn sunlight into electricity -- has fallen swiftly on the spot market in past months, dropping to about \$200 per kilogram from \$450 to \$500 earlier this year, say analysts and solar-module makers.

And they are likely to fall even further as a flood of new polysilicon supply makes its way out of production, encouraging solar-panel makers to renegotiate contracts that account for the bulk of their materials purchases.

Jeff Osborne of Thomas Weisel Partners expects spot prices to sink below \$100 by the end of 2009 and to a \$50 to \$80 range in 2010, or roughly the same levels as prices in long-term contracts.

Such a drop marks a stark reversal in the cost situation solar-panel makers have faced for the past four years, when polysilicon prices surged and would-be buyers often had trouble finding enough product.

Polysilicon, once mainly used by semiconductor makers, became a hot commodity after global warming concerns and energy prices caused a boom in demand for solar panels.

But declining costs may not be enough to bring back investors to solar-module makers such as JA SOLAR HOLDINGS, SUNTECH POWER HOLDINGS, SOLARFUN POWER, TRINA SOLAR LTD. and CANADIAN SOLAR INC.

Stocks of solar-panel makers and their silicon suppliers sold off sharply last week on concerns that the credit crunch was causing investors to shelve new solar-development projects.

"Right now the solar industry is a call option on the credit crisis," said Osborne, referring to a derivative whose value reflects changes in the underlying instrument.

"Until lending frees up, I think prices across the whole value chain will continue to fall," he said.

On Thursday, SUNTECH slashed its revenue forecasts for the fourth quarter, blaming the euro's sudden fall against the dollar and delayed orders by customers who had trouble getting project financing.

Financing troubles are pressuring prices throughout the supply chain, from solar-panel end products to the polysilicon raw material.

Shares of big polysilicon supplier MEMC ELECTRONIC MATERIALS, of St. Peters, MO., fell 26% last week.

"In order to manage and avoid more losses, some solar panel manufacturers are going to polysilicon suppliers and saying, 'if you don't lower prices I'll go out of business,'" said Mehdi Hosseini, an analyst at Friedman Billings Ramsey.



Pressure to renegotiate polysilicon contracts will weigh on margins at the established polysilicon manufacturers such as MEMC, Germany's WACKER CHEMIE AG and Norway's RENEWABLE ENERGY CORP. But Hosseini says these firms should survive the swift drop in spot prices because they have low cost structures and lots of long-term contracts.

### **The coming glut**

The real shake-out, Hosseini and others say, will come among the 60 or so new companies that have entered the polysilicon market in the past two years. In the past, just seven suppliers made up 90% of the market for polysilicon, including Dow Corning joint venture HEMLOCK SEMICONDUCTOR CORP.

Heightened production from the new and established firms will help turn what's been a shortage in polysilicon into an excess by 2010.

Next year, global supply of polysilicon will double, outpacing demand growth of 34%, says iSuppli. In two years, supply will outstrip demand. That gap will widen by 2012. Producers in Asia, largely thanks to new Chinese entrants, will produce about 40% of the world's supply, up from one-third currently.

Source: MarketWatch



## USA: ACCA Introduces New Fuel Card Program for Members

Nov. 19, 2008 -- The Air Conditioning Contractors of America (ACCA) has announced a new fuel card program as a benefit for its members. The ACCA Exxon/Mobil Fleet Card will give contractors who enroll a rebate of up to a nickel per gallon.

“Gas prices have been coming down, but they’re still too high — and while a nickel doesn’t sound like much, those nickels sure can add up for contractors and their fleets each month,” said Kevin Holland, ACCA vice president for business operations & membership. “Enroll in this program, and the rebate comes right off your monthly statement.”

In addition to the rebate, the ACCA EXXON/MOBIL program offers contractors a variety of other benefits including:

- Comprehensive fleet products reports and summary reports to help you track every aspect of fleet card use.
- A variety of controls you can set over how cards can be used, for what, and even set limits and authorization requirements or get e-mail alerts.
- The convenience of 11,000 EXXON and MOBIL locations nationwide, and you can link your fleet card program to Speedpass devices for quicker fueling and payment.
- You can manage your account online, including payments and invoices, to avoid the clutter of paperwork.

While EXXON/MOBIL usually charges a \$50 application fee for the program, ACCA has negotiated a waiver of that fee, so there is no cost to enroll.

The program is available exclusively for ACCA members nationwide. Details and a program application may be found at [www.acca.org/fuel](http://www.acca.org/fuel).

Source: [www.achrnews.com](http://www.achrnews.com)



## USA: Trend Home Benefits From High-End

Nov. 17, 2008 -- WAUKESHA, Wis. — In the year 2020, more homes will probably be built with sustainable technologies, including solar electrical generation and hot-water heating, high-efficiency appliances, computer-operated mechanical systems, and gray water reuse systems. The theory is that as utility costs rise, consumers will demand homes with mechanical infrastructures that use less energy and are more environmentally friendly.

Completed in August 2008, the Wisconsin Trend Home was built to these 2020 “specs,” and features many different energy-efficient technologies that are readily available in the marketplace. The home was constructed by the Wisconsin Builders Association (WBA) Foundation, with assistance from members of the Metropolitan Builders Association (MBA) of Greater Milwaukee, and illustrates to both the construction industry and the public that environmentally sensitive technologies can be incorporated into new and existing homes today.

Not only did this one-of-a-kind home achieve Green Built Home certification and Energy Star Home certification, it was also a charitable endeavor. The project involved more than 120 sponsors and donors, and once sold to a private homeowner, the proceeds of the sale will go to Waukesha’s La Casa De Esperanza, which helps train low-income workers in the construction industry.

### **Getting Involved With Green**

One of those sponsors was the Unitary Products division of JOHNSON CONTROLS, which donated an Affinity furnace and heat pump for the Trend Home. The HVAC contracting firm, DAVE JONES HEATING AND PLUMBING, Madison, Wis., was pleased to donate the time and labor necessary to install the high-end dual-fuel YORK system.

“TIM O’BRIEN HOMES [which coordinated the construction of the Trend Home] approached us and asked if we’d be willing to work with the Metropolitan Builders Association on this project,” said Kevin Hinline, HVAC manager, DAVE JONES PLUMBING AND HEATING. “We thought it would be interesting, because we’ve never worked on such a green home before, so we stepped up to the plate and installed the plumbing and HVAC systems.”

That’s not to say DAVE JONES PLUMBING AND HEATING doesn’t work with green technologies on a daily basis; the company regularly installs geothermal systems, as well as many dual-fuel HVAC systems. Hinline stated that interest in energy-efficient systems has definitely increased over the last few years, thanks to rising energy costs.

“More people are asking about dual-fuel systems,” said Hinline. “We work mainly in new construction, and it used to be that people wanted to talk about high-end plumbing fixtures. Now people want to talk about the HVAC system first and how they can reduce their energy costs. Some homebuilders don’t let us talk to their clients, but if you can sit down with the homeowners and explain it to them, over 50 percent will usually choose the dual-fuel system.”

Once the 2,000-square-foot Trend Home opened to the public in August, Hinline received even more requests for information from customers who wanted to know about the super-quiet furnace that was located in the basement. DAVE JONES PLUMBING AND HEATING installed an 80,000-Btu, fully modulating, YORK Affinity gas furnace, which was matched with a 3-ton, 15 SEER, two-stage heat pump. The 95 percent efficient gas furnace and the heat pump will help reduce the homeowner’s



energy costs by as much as 40 percent. (The MBA plans to document energy usage and other aspects of the building to use in the association's educational programming.)

Hineline likes that the furnace modulates in 1 percent increments, which keeps comfort levels in the home constant. He also likes that the ECM blower motor allows the fan speed to gradually change in order to circulate air for longer periods of time. Most of all, he likes the fact that the furnace is very quiet. "When we did the open house, we got a lot of feedback from people who couldn't believe the furnace was actually running, and they were standing next to it."

In order to increase energy efficiency, the ductwork was taped and sealed, and the entire system was balanced by an independent agency. Controls from DIGITEK DIGITAL will provide full home automation capabilities.

### **Sustainable Technologies Incorporated**

DAVE JONES PLUMBING AND HEATING did more than install a high-end HVAC system, it also designed the first gray water reuse system for a residential application in Wisconsin. "We're taking waste water from the showers, running it through filters and UV lights, and pumping it back into the toilets," said Hineline.

The high price of the system, along with the lengthy approval process required by local officials, could mean that the routine installation of gray water reuse systems may be a few years off. However, the lucky homeowners of the Trend Home are expected to save 12,000 gallons of water each year, thanks to the gray water system. In addition, a rainwater catchment system will collect and store an estimated 43,000 gallons of water a year from the home's roof and reuse it for landscape irrigation.

There were many other innovative technologies incorporated into the Trend Home, including permeable pavement that allows rain and melting snow to seep through and replenish ground water; faux-slate shingles made from recycled baby diapers, tires and plastic bottles; structured insulated panels; and bamboo floors. Solar power is also part of the Trend Home and will be used for the electric panels, as well as for hot water. It is estimated that the passive solar thermal hot-water system will be able to heat 100 gallons of water on a daily basis.

Hineline is happy that DAVE JONES PLUMBING AND HEATING was able to participate in the Wisconsin Trend Home project. "It's been good for us, because our involvement has brought in new leads, and more people want to know about dual-fuel systems. But it's more than that. We wanted to be part of this green home and also help out a local charity. It's been a win-win."

Source: [achrnews.com](http://achrnews.com)



## USA: Software Billionaire Assembling \$20M Green Building Contest

Nov. 20, 2008 -- Tom Siebel, who made a big pile of money in the '90s by founding SIEBEL SYSTEMS, is trying to squeeze into green.

Siebel is trying to put together a contest that will encourage companies to come up with HVAC systems and other technologies for relatively affordable, zero-energy homes. "They will be grid connected, but after 365 days the meter should read zero," he said during the Global Technology Leadership Conference taking place at UC Berkeley today.

The contest, which is still under construction, will come with a few rules. For one thing, the homes have to be something the average American would want to live in. "You can't solve the problem by sitting in the dark and freezing to death," he said.

Second, they have to be cheap. Green homes now are generally bought by rich people in communities like Woodside, California. "They cost \$1,000 a square foot" and are generally huge, he argued. Builders have also been reluctant to get into the market although that has been changing.

Siebel figures the prize can be broken up in a couple of ways. In a first segment, \$5 million could be given to companies and investors that come up with an interesting appliance or technology. A second \$5 million prize could go to someone who designs the best green home. A third phase could award \$10 million to any group that actually then builds some green homes with technology from the first two rounds.

Source: Greentech Media