would be useful to have updated data for estimating elasticities and any other information which explains major changes in the marketplace. DOE notes that GRIM does not use such elasticities. The Department encourages AHAM, ADL, or other parties to provide evidence about whether the elasticities used in the analysis are reasonable, and how they may obtain more accurate elasticities.

4. Cost Pass-Through. Several comments, including ADL, AHAM, Amana Corporation (Amana), and General Electric Appliances (GEA), raise issues regarding cost pass-through and the relationship between cost and price. According to ADL, manufacturers have not passed through a significant portion of their costs as evidenced by the Consumer and Producer Price Indices, which show that prices have risen by less than the increase in costs. This means that firms have reduced operating costs rather than increase costs to consumers. Therefore any model that assumes or concludes that firms can pass on costs with any reasonable probability is ''not acceptable and inconsistent with observed behavior.'' (ADL, No. 19 at 4–5).

The Gas Appliance Manufacturers Association stated that DOE should not assume that all equipment cost increases can be passed through to the consumer, partly as a result of the option of deferring purchases and repairing existing equipment. (GAMA. No. 28 at 3).

The Association of Home Appliance Manufacturers noted that historically the price of appliances has risen much more slowly than the price of some production inputs. They concluded that this observation shows an inability of firms to pass on cost increases. (AHAM, No. 17 at 6).

The relevant issue regarding cost pass-through is how appliance prices have risen relative to the increased costs of all manufacturer inputs. A more plausible explanation of why passing on their costs has been increasingly difficult for firms is because of the rise of monopsony power on the purchasing side of the market as AHAM has noted in earlier comments.[10] The growth of large and sophisticated ''power'' retailers that have significant and increasing power in the marketplace has resulted in increased downward price pressure on manufacturers.

5. Small Firms. Several commenters stated that DOE needs to be concerned about the impacts of standards on small manufacturers. General Electric Appliances wrote that an analysis using an ''average'' firm may not show the impacts of standards on small firms or on industry concentration. (GEA, No. 39 at 21).

PVI Industries commented that ''a smaller company, with lower volume, may be affected very differently from a larger, higher volume producer. In particular, the smaller company can probably implement significant design changes more quickly and at much lower cost because of lower volume production and less automation. Therefore, the GRIM model may not suitably reflect the financial impact of a change across the broad spectrum of appliance manufacturers.'' (PVI Industries, No. 43 at 1).

The Department is interested in the impact of standards on the different types of firms in the industry. The Department is aware that the compact refrigerator industry has cost functions that are much different than the full-size product manufacturers, and partly for this reason, DOE is proposing less stringent standards for compact refrigerator products than for full-sized refrigerator products.

6. Multiple Standards. Three comments, from AHAM, Amana, and GEA, raised the issue of the cumulative costs of multiple regulations. (AHAM, No. 17 at 7, Amana, No. 21 at 2, and GEA, No. 39 at 3). They stated that the Department needs to consider and analyze the cumulative costs of multiple regulations on industry. Some of these costs include chlorofluorocarbon (CFC) phaseout, successive efficiency standards, and demands on human and financial resources. General Electric Appliances suggested the use of the GRIM because it includes a module that analyzes the cumulative effects of multiple regulations. (GEA, No. 39 at 21–2).

The Department has considered the impact of costs due to regulations concerning the phaseout of CFC and HCFC materials. The Manufacturer Analysis Model is designed to analyze the impact of standards on industry profitability for an individual appliance. To date, this has involved treating each manufacturer of a subject product as a separate company. Recognizing, however, that many manufacturers produce more than one appliance type subject to appliance standards and the companies have limited resources, the Department is presently seeking approaches to account for the cumulative effects on a multi-product company of the appliance conservation standards that it promulgates, and requests comments in this regard. Such an analysis will require both a manageable analytical method and relevant cost data.

7. External Costs and Benefits. A number of comments on the ANOPR urged the Department to consider external costs and benefits in its economic analyses of the efficiency standards proposed in this NOPR. (ACEEE, No. 50 at 2; Gas Research Institute (GRI), No.10 in Appendix H at 6; NRDC, No. 18 at 28; Pacific Gas and Electric, No. 22 at 2; NYSEO, No. 26 at 7; NWPPC, No. 30 at 4; AGA, No. 32 at 3). However, several other commenters argued against the inclusion of externalities in the economic analysis. (Tampa Electric Co. (TECo.), No. 3 at 3; Cleveland Electric Illuminating Co., No. 7 at 1; ARI, No. 31 at 6; Electricity Consumers Resource Council (ELCON), No. 33 at Attachment 1; EEI, No. 35 at 2; GAMA, No. 27 at 24; National Rural Electric Cooperative Association (NRECA), No. 42 at 2, 3).

The Department recognizes that the inclusion of monetized externality cost estimates in the evaluation of standards is a complex and controversial question. In a Supplemental Advance Notice of Proposed Rulemaking Regarding Energy Conservation Standards for Three Types of Consumer Products, (59 FR 51140, October 7, 1994), the Department solicited public comment on whether a sound analytical basis exists for estimating the monetary value of environmental and energy security externalities. Because the Department has yet to identify a sound analytical basis for estimating the monetary value of environmental or energy security externalities, it is not proposing to use such estimated monetary values in this rulemaking. However, as in previous efficiency standards rulemakings, the Department has estimated the likely effects of the proposed standards on certain categories of emissions and on oil use, and has considered these effects in reaching a decision about whether the benefits of the proposed standards exceed their burdens.

8. Manufacturability. General Electric Appliances believes that the Department needs to incorporate an evaluation of manufacturability as an essential aspect of the technical feasibility determination. (GEA, No. 39 at 13). Maytag proposed that the Department recognize that manufacturability and technological feasibility are inextricably

[10] See Written Comments of the AHAM to the DOE on Energy Conservation Program for Consumer Products: ANOPR on Energy Conservation Standards for Room Air Conditioners and Kitchen Ranges and Ovens, Docket No. CE–RM–90–201, dated December 12, 1990, by the AHAM, pp. 67–68; and Statement of the AHAM to the DOE on the NOPR on Energy Efficiency Standards for Dishwashers, Clothes Washers, and Clothes Dryers, CE–RM–88–101, also by AHAM, dated October 10, 1989.